

**CANWEST LIMITED PARTNERSHIP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2009 AND 2008**

November 26, 2009

Auditors' Report

To the Directors of Canwest Global Communications Corp.

We have audited the accompanying consolidated balance sheets of **Canwest Limited Partnership** (the "Partnership") as at August 31, 2009 and 2008 and the related consolidated statements of earnings (loss), comprehensive income (loss), partners' deficiency and cash flows for each of the three years in the period ended August 31, 2009. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as at August 31, 2009 and 2008 and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Winnipeg, Canada



Comments by Auditor on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Partnership's ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements of the Partnership. Our report to the directors dated November 26, 2009 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

Pricewaterhouse Coopers LLP

Chartered Accountants
Winnipeg, Canada

CANWEST LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(In thousands of Canadian dollars)

	For the twelve months ended		
	August 31, 2009	August 31, 2008 (restated)	August 31, 2007 (restated)
Revenue	1,021,384	1,203,052	1,186,363
Operating expenses (notes 3 and 18)	841,638	897,225	903,733
Restructuring expenses (note 17)	35,195	10,708	6,869
	<u>144,551</u>	<u>295,119</u>	<u>275,761</u>
Amortization of property and equipment (note 6)	39,885	46,647	47,495
Other amortization	191	194	188
Operating income	<u>104,475</u>	<u>248,278</u>	<u>228,078</u>
Interest expense, net (notes 10, 14 and 20)	(98,422)	(109,300)	(51,382)
Amortization of deferred financing costs (note 10)	-	-	(7,419)
Other income	2,925	2,925	3,050
Gain (loss) on disposal of property and equipment	1,890	(544)	340
Gain on disposal of joint venture (note 19)	-	-	1,318
Gain (loss) on disposal of interest rate swap (notes 10 and 20)	(180,202)	-	22,520
Ineffective portion of hedging derivative instrument (note 20)	(60,112)	-	-
Gain on sale of investment (note 7)	-	1,218	-
Foreign currency exchange gains (losses)	154,571	477	(80)
Earnings (loss) before income taxes	<u>(74,875)</u>	<u>143,054</u>	<u>196,425</u>
Recovery of current income taxes (note 11)	-	(516)	(342)
Provision for (recovery of) future income taxes (note 11)	(8,893)	102	(4,134)
Net earnings (loss) for the period	<u><u>(65,982)</u></u>	<u><u>143,468</u></u>	<u><u>200,901</u></u>

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

CANWEST LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands of Canadian dollars)

	For the twelve months ended	
	August 31, 2009	August 31, 2008 (restated)
Net earnings (loss) for the period	(65,982)	143,468
Other comprehensive earnings (loss)		
Change in fair value of hedging derivative instruments designated as cash flow hedges (notes 13 and 20)	(14,640)	(28,350)
Reclassification of other comprehensive losses on hedging derivative instruments (note 20)	60,112	-
Other comprehensive earnings (loss) for the period	45,472	(28,350)
Comprehensive income (loss) for the period	(20,510)	115,118

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

**CANWEST LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS**
(In thousands of Canadian dollars)

	As at August 31, 2009	As at August 31, 2008 (restated)
ASSETS		
Current Assets		
Cash and cash equivalents	43,427	-
Restricted cash (note 5)	13,902	-
Accounts receivable	103,489	148,635
Amounts due from related companies (note 18)	2,266	7,026
Inventory	6,594	10,647
Income taxes recoverable (note 11)	-	569
Future income tax assets (note 11)	-	1,917
Prepaid expenses	12,991	11,410
	182,669	180,204
Property and equipment (note 6)	340,980	352,109
Other assets (note 8)	26,195	20,381
Goodwill	95,034	94,934
	644,878	647,628
LIABILITIES		
Current Liabilities		
Bank overdraft	-	2,303
Accounts payable and accrued liabilities	126,260	112,994
Amount due on swap settlement (notes 1 and 20)	68,874	-
Income taxes payable	12	-
Amounts due to related companies (note 18)	3,777	14,968
Deferred revenue	30,136	31,384
Current portion of hedging derivative instruments	-	12,206
Current portion of long term debt (note 10)	1,380,094	8,313
Current portion of obligations under capital leases (note 9)	3,138	3,093
	1,612,291	185,261
Long term debt (note 10)	-	1,323,632
Hedging derivative instruments	-	42,299
Obligations under capital leases (note 9)	3,696	6,834
Accrued pension, post-retirement and other liabilities (note 15)	75,318	59,707
Future income taxes (note 11)	27,478	38,288
	1,718,783	1,656,021
Going concern (note 1)		
Contingencies (note 23)		
PARTNERS' DEFICIENCY		
Partners' capital (note 16)	39,188	39,188
Contributed surplus (note 4)	55,000	55,000
Accumulated other comprehensive loss (note 13)	-	(45,472)
Deficit	(1,168,093)	(1,057,109)
Total deficit	(1,168,093)	(1,102,581)
	(1,073,905)	(1,008,393)
	644,878	647,628

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

CANWEST LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF PARTNERS' DEFICIENCY
(In thousands of Canadian dollars)

For the twelve months ended August 31, 2009

	Partners' Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
Balance as at September 1, 2008 (restated)	39,188	55,000	(45,472)	(1,057,109)	(1,008,393)
Net loss for the period	-	-	-	(65,982)	(65,982)
Other comprehensive income (note 13)	-	-	45,472	-	45,472
Distributions declared (note 16)	-	-	-	(45,002)	(45,002)
	<u>39,188</u>	<u>55,000</u>	<u>-</u>	<u>(1,168,093)</u>	<u>(1,073,905)</u>

For the twelve months ended August 31, 2008 (restated)

	Partners' Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
Balance as at September 1, 2007	39,188	55,000	-	(1,034,528)	(940,340)
Adjustment to opening balance upon adoption of new financial instruments accounting standard (note 3)	-	-	(17,122)	248	(16,874)
Net earnings for the period	-	-	-	143,468	143,468
Purchase of related company (note 18)	-	-	-	(297)	(297)
Other comprehensive loss (note 13)	-	-	(28,350)	-	(28,350)
Distributions declared (note 16)	-	-	-	(166,000)	(166,000)
	<u>39,188</u>	<u>55,000</u>	<u>(45,472)</u>	<u>(1,057,109)</u>	<u>(1,008,393)</u>

For the twelve months ended August 31, 2007 (restated)

	Partners' Capital	Contributed Surplus	Deficit	Total
Balance as at September 1, 2006	589,188	1,005	(951,272)	(361,079)
Redemption of Class A Partnership Units (notes 4 and 16)	(550,000)	55,000	(1,923)	(496,923)
Performance Unit Plan termination (note 12)	-	(3,130)	-	(3,130)
Performance Unit Plan (note 12)	-	2,125	(578)	1,547
Net earnings for the period	-	-	200,901	200,901
Distributions declared (note 16)	-	-	(281,656)	(281,656)
	<u>39,188</u>	<u>55,000</u>	<u>(1,034,528)</u>	<u>(940,340)</u>

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

CANWEST LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars)

	For the twelve months ended		
	August 31, 2009	August 31, 2008 (restated)	August 31, 2007 (restated)
CASH GENERATED (UTILIZED) BY:			
OPERATING ACTIVITIES			
Net earnings (loss) for the period	(65,982)	143,468	200,901
Items not affecting cash			
Amortization	40,076	46,841	55,102
Future income taxes	(8,893)	102	(4,134)
Loss (gain) on disposal of property and equipment	(1,890)	544	(340)
Non-cash interest	5,026	3,008	-
Ineffective portion of hedging derivative instrument (note 20)	60,112	-	-
Gain on disposal of investment (note 7)	-	(1,218)	-
Gain on disposal of joint venture (note 19)	-	-	(1,318)
Loss (gain) on disposal of interest rate swap (notes 10 and 20)	180,202	-	(22,520)
Excess of pension and post retirement/employment expense over employer contributions	6,929	1,911	6,019
Unrealized gain on foreign exchange	(152,131)	-	-
Compensation expense (note 12)	-	-	(1,586)
	<u>63,449</u>	<u>194,656</u>	<u>232,124</u>
Changes in amounts due from related companies (note 18)	(6,431)	(755)	5,013
Changes in non-cash operating accounts (note 14)	46,273	(6,464)	21,251
Cash flows from operating activities	<u>103,291</u>	<u>187,437</u>	<u>258,388</u>
INVESTING ACTIVITIES			
Acquisitions (note 7)	(100)	(4,016)	-
Proceeds from sale of property and equipment	3,656	70	2,372
Proceeds from sale of investment (note 7)	-	2,213	-
Proceeds from disposal of joint venture (note 19)	-	-	1,200
Purchase of property and equipment	(30,522)	(36,154)	(18,764)
Cash flows from investing activities	<u>(26,966)</u>	<u>(37,887)</u>	<u>(15,192)</u>
FINANCING ACTIVITIES			
Proceeds from long term debt (note 10)	-	-	2,568,999
Repayment of long term debt (note 10)	(2,500)	(5,000)	(2,126,250)
Advances of revolving facilities (note 10)	20,000	11,000	85,000
Debt issuance costs (note 8)	-	-	(23,866)
Distributions paid	(45,002)	(166,000)	(304,548)
Redemption of Class A Limited Partnership Units (note 4)	-	-	(496,923)
Payments of capital leases	(3,093)	(2,535)	(3,639)
Settlement of swap liabilities (note 10)	-	-	22,520
Cash flows from financing activities	<u>(30,595)</u>	<u>(162,535)</u>	<u>(278,707)</u>
Net change in cash	45,730	(12,985)	(35,511)
Cash (bank overdraft) - beginning of period	<u>(2,303)</u>	<u>10,682</u>	<u>46,193</u>
Cash (bank overdraft) - end of period	<u>43,427</u>	<u>(2,303)</u>	<u>10,682</u>

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

CANWEST LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2009 AND 2008

(In thousands of Canadian dollars, except as otherwise noted)

1. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP") which assumes that Canwest Limited Partnership ("Canwest LP or "Limited Partnership") will continue in operation and be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. There is significant doubt about the appropriateness of the going concern assumption because of the defaults under certain debt agreements and the material uncertainty caused by the current market conditions including the Limited Partnership's declining advertising revenue and ability to realize cost reductions.

The Limited Partnership's operating results and cash flows for the twelve months ended August 31, 2009 reflect the effects of the deterioration in the economy and reduced advertising revenue in its operations. The outlook for the advertising market remains uncertain and the weakness in the advertising market is likely to continue until the economy improves. The significantly reduced advertising revenue has reduced cash flows from operations and has impacted the Limited Partnership's liquidity. As at August 31, 2009, current liabilities significantly exceed current assets. The Limited Partnership is in default under the terms of its senior secured credit facilities, its senior subordinated unsecured credit facility and its senior subordinated unsecured notes indenture because it failed to make payments of interest and principal on its senior secured credit facilities and its related hedging derivative instruments, it failed to make interest payments on its senior subordinated unsecured credit facility and its senior subordinated unsecured notes and it failed to satisfy the demand for immediate repayment of its obligations related to the hedging derivative instruments. As described in note 17, the Limited Partnership has developed restructuring plans to reduce costs and close or sell underperforming operations. Management is continuing to assess other strategies to improve operating results and cash flows, to adjust its capital structure and to reduce its debt obligations. While progress is being made in developing and implementing such strategies, there can be no assurance as to the outcome or success of these strategies. Further, the Limited Partnership's results for future periods are subject to numerous uncertainties.

The Limited Partnership was not in compliance with its financial covenants under its senior secured credit facilities as of May 31, 2009. From May 2009 to August 2009 the Limited Partnership did not make interest and principal payments on its senior secured credit facilities and the associated hedging derivative instruments or in respect of its senior subordinated unsecured credit facility or its senior subordinated unsecured notes. These payments were not made in order to preserve liquidity to fund operations while the Limited Partnership works to effect a recapitalization transaction. As a result of the payment default, the hedging derivative instrument counterparties terminated the hedging arrangements and demanded immediate payment of an aggregate of \$68.9 million. The Limited Partnership has not satisfied this demand and does not have adequate liquidity to satisfy this or any other such demand.

1. GOING CONCERN (continued)

Effective August 31, 2009, the Limited Partnership entered into a forbearance agreement with the Administrative Agent under its senior secured credit facilities under which the lenders agreed not to take any steps with respect to the defaults under the senior secured credit facility and to work with management of the Limited Partnership to develop and implement a consensual pre-packaged restructuring, recapitalization, or reorganization. In accordance with the terms of the forbearance agreement the lenders cancelled all undrawn amounts under the revolving credit facility. The Limited Partnership agreed to pay the interest owing and the continuing interest on its senior secured credit facilities and on amounts due in respect of the terminated hedging arrangements. On August 31, 2009, the Limited Partnership transferred \$13.9 million to a restricted bank account (note 5) which subsequent to year end was used to pay the interest owing. The forbearance agreement was originally in effect to October 31, 2009 and was extended to November 9, 2009. This agreement has expired, however, Canwest Limited Partnership and its lenders under the senior secured credit facilities continue discussions regarding the framework for a potential financial restructuring. These creditors could demand the immediate repayment of the amounts outstanding. As at August 31, 2009 the carrying value of the senior secured credit facility and the Swap liability was \$953.4 million. No such agreement has been entered into with Canwest Limited Partnership's lenders under its senior subordinated unsecured credit facility or its senior subordinated unsecured notes. These creditors could demand the immediate repayment of the amounts outstanding. As at August 31, 2009, the aggregate carrying value of amounts outstanding under the senior subordinated credit facility and the senior subordinated notes was \$513.0 million. Canwest Limited Partnership would not have adequate liquidity to satisfy a demand for repayment under the senior secured credit facilities, the senior subordinated credit facility or the senior subordinated notes indenture.

Canwest Global Communications Corp. (Canwest Global), (the parent company of Canwest Media Inc.), Canwest Media Inc. ("Canwest" or "CMI"), and certain subsidiaries which include *The National Post Company* (the "CMI entities") voluntarily applied for and successfully obtained an Order from the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act (CCAA) on October 6, 2009. The commencement of these proceedings was undertaken in furtherance of a proposed recapitalization transaction that is supported by holders of over 70% of the 8% senior subordinated unsecured notes issued by CMI (the "Recapitalization Transaction"). The CMI entities' operations will continue uninterrupted during the recapitalization process and obligations to employees and suppliers of goods and services provided after the filing date will continue to be met. Under the Order related party obligations that the CMI entities have to the Limited Partnership both prior and subsequent to the filing date will continue to be met. The CMI entities will also continue to provide services to the Limited Partnership as described in note 18. However, the outcome of the Canwest Global proceedings is not known and the impact on the future relationship with Canwest LP is uncertain.

The Limited Partnership's results for future periods are subject to numerous uncertainties. The possibility exists that unforeseen events, such as, higher interest rates, foreign currency changes, prolonged curtailment of advertising spending or other adverse business conditions or a combination of these or other factors may further affect future years' operating results and cash flows. These circumstances lend significant doubt as to the ability of the Partnership to meet its obligations as they come due.

There can be no assurance that the actions taken in the Limited Partnership's restructuring activities will result in improvements to the financial condition sufficient to allow the Limited Partnership to continue as a going concern. If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and/or classification of the Limited Partnership's assets and liabilities. These adjustments may be material.

2. DESCRIPTION OF PARTNERSHIP

Canwest Limited Partnership was formed on September 7, 2005 under the laws of Ontario to acquire the newspaper, Digital Media and certain business services operations of Canwest Media Inc., excluding *The National Post Company* (“*National Post*”) (note 24).

On October 13, 2005, Canwest LP acquired the businesses and substantially all of the assets and assumed substantially all of the operating liabilities related to the Publishing Group, which includes the following directly or indirectly wholly owned entities of Canwest: Canwest Publishing Inc. (“CPI”), Canwest Books Inc., certain assets and liabilities representing the operations of ReachCanada Contact Centre and certain assets and liabilities representing the operations of certain support and administration functions that were divisions of Canwest.

Newspaper operations include daily and non-daily newspapers, including electronic editions, news content productions and editorial operations as well as certain shared service operations. The Digital Media operations operate the *canada.com* web portal and provide subscription services relating to investing and financial news and other information.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the periods presented. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements of Canwest LP include the accounts of the Limited Partnership, its subsidiaries Canwest Publishing Inc. and Canwest Books Inc., and the Limited Partnership’s pro rata share, (33.33%), of the assets, liabilities and results of operations of a joint venture with Metro International S.A. and Torstar Corporation (“Metro”) to May 31, 2007 when Metro was sold.

Canwest LP is unincorporated and its balance sheet does not include the assets, liabilities, revenue and expenses of its partners.

Canwest indirectly owns 100% of the Limited Partnership. Canwest LP’s general partner is Canwest Media (Canada) Inc. (“Canwest Media GP”). The consolidated financial statements of Canwest LP do not reflect the value of Canwest LP’s assets and liabilities recorded on Canwest’s consolidated financial statements.

Current and future income taxes relate to the corporate subsidiaries of Canwest LP. Canwest LP, itself, is not subject to income or capital taxes, as the income, if any, is taxed in the hands of the individual partners.

Cost Allocations

Canwest LP, Canwest, the Canadian Broadcasting Operations and the *National Post* have entered into various agreements governing the provisions of services and the amount to be charged for these services, as described in note 18.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are classified as available for sale and are recorded at cost as they do not have a quoted market price in an active market. A provision for loss in value of the investments is made when a decline in value is considered other than temporary.

Foreign currency translation

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the foreign currency exchange rate in effect at that date. Revenues and expense items are translated at the foreign currency exchange rate in effect when the transaction occurred. The resulting foreign currency exchange gains and losses are recognized in current year earnings.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the assets' estimated useful lives on a straight-line basis at the following annual rates:

Buildings	2.5% - 3.33%
Machinery and equipment	4% - 33.33%
Leasehold improvements	5% - 20%

Impairment of long lived assets

Impairment of long lived assets is recognized when an event or change in circumstances causes the assets' carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is calculated by deducting the fair value of the asset from its carrying value. There are no impairment losses of long lived assets for the twelve months ended August 31, 2009, 2008 or 2007.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually or when indicated by events or changes in circumstances by comparing the fair value of a particular reporting unit to its carrying value. When the carrying value exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying value to measure any impairment loss. The goodwill in these consolidated financial statements relates solely to the newspaper segment.

Revenue recognition

Circulation revenue is recognized when newspapers are delivered. Subscription revenues for newspapers and the Limited Partnership's news, business research and corporate financial information services are recognized on a straight-line basis over the term of the subscriptions or contracts. Advertising revenue is recognized over the period in which the related advertising is displayed. Revenue for commercial printing is recognized when delivered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts received relating to services to be performed in future periods are recorded as deferred revenue on the balance sheets.

Amounts billed relating to cost recoveries for services provided to related parties are netted against the related expenses. Amounts billed to related parties for cross-promotional activities provided are recorded as revenue.

Income taxes

The income related to the activities of Canwest LP will be taxed directly in the hands of the partners. Accordingly, the consolidated financial statements do not include any income tax provision related to the income generated by Canwest LP. However, income taxes are provided for activities carried out in Canwest Publishing Inc., a wholly owned subsidiary of Canwest LP, and Canwest Books Inc., a wholly owned subsidiary of Canwest Publishing Inc.

The asset and liability method is used to account for future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future income tax assets are recognized to the extent that realization is considered more likely than not.

Inventory

Inventory, consisting of primarily printing materials, is valued at the lower of cost, using the first-in-first out cost formula, and net realizable value. Inventories are written down to net realizable value if the cost of the inventories is not fully recoverable. Reversals of previous write-downs to net realizable value are required when there is a subsequent increase in the value of inventories. The carrying value of inventories carried at cost at August 31, 2009 are \$6.6 million (August 31, 2008 - \$10.7 million). The inventories carried at net realizable value at August 31, 2009 are nil. (August 31, 2008 – nil)

During the twelve months ended August 31, 2009, the amount of inventories expensed was \$88.7 million (2008 – \$96.8 million, 2007 - \$112.3 million)

No inventories were written down to net realizable value during the twelve months ended August 31, 2009, 2008 or 2007.

Pension plans and post-retirement/employment benefits

The Limited Partnership maintains a number of defined benefit and defined contribution pension and post-retirement/employment benefit plans. For defined benefit plans, the cost of pension and other retirement benefits earned by employees is determined using the projected benefit method pro rated on service and management's estimate of expected plan investment performance, salary escalation, retirement ages of employees, expected health care costs, and other costs, as applicable. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of employees active at the date of the amendment. For each plan, the excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees. Transitional obligations are amortized on a straight line basis over the average remaining service life of the employees expected to receive benefits under the plans as of September 1, 2000. Gains or losses arising from the settlement of a pension plan are only recognized when responsibility for the pension obligation has been relieved. The average remaining service period of employees covered by the pension plans is 9 years (2008 – 11 years, 2007 – 11 years). For the post-retirement/employment defined benefit plans, the cost is expensed as benefits are earned by the employees. The average remaining service period of the employees covered by the post-retirement benefit plans is 12 years (2008 – 12 years, 2007 – 16 years). The average remaining service period of the employees covered by the post-employment benefit plans is 7 years (2008 – 7 years). For the defined contribution plans, the pension expense is the Limited Partnership's contribution to the plan.

Cash and cash equivalents

Cash equivalents are highly liquid investments with an original term to maturity of less than 90 days, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are designated as held-for-trading as such interests are acquired or incurred principally for the purpose of selling or repurchasing in the near term and are accordingly carried at fair value. Changes in fair value are recorded in net earnings.

Joint venture

The Limited Partnership had a joint venture with Metro to publish English-language free daily newspapers in various Canadian cities. The Limited Partnership had a 33% interest in the joint venture's operating, financing, and investing activities.

On May 31, 2007, the Limited Partnership sold its investment in the joint venture.

Prior to May 31, 2007, the Limited Partnership accounted for its investment in the joint venture using the proportionate consolidation method.

Performance unit plan ("PUP")

On July 12, 2007, in connection with the privatization transaction referred to in note 4, the Performance Unit Plan ("PUP") was terminated whereby all of the Performance Units granted to PUP participants vested and each PUP participant received a cash payment as further described in note 12.

Prior to July 12, 2007, Canwest Media Income Fund ("the Fund") had established a PUP for the purpose of providing incentive compensation to officers and employees of, and providers of services to, the Fund and Canwest LP in the form of Performance Units. The PUP is further described in note 12.

Eligible participants received grants of Performance Units, which were to be settled by the issuance of Fund Units at the end of each three year term ("Performance Period"). The fair value of these Performance Units was debited to compensation expense and credited to contributed surplus over the vesting period on a straight-line basis. Additional Performance Units were granted based upon distributions paid by the Fund on Fund Units ("Distribution Equivalents"). These Distribution Equivalents were credited to each participant's account, on each Distribution Date, and were deemed to have the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

same vesting date as the Performance Units to which such Distribution Equivalents relate. These Distribution Equivalents were debited to retained earnings and credited to contributed surplus. The number of Performance Units was adjusted at the end of each Performance Period based on achievement of targeted unit holder returns over that three year period. It was anticipated that a new Performance Period with new Performance Units would start each year.

All such Fund Units were issued from treasury at no cost to PUP participants. When the Fund issued the units from treasury, the Limited Partnership issued an equivalent number of Class A Units to the Fund with a credit to Class A Partnership Units and a debit to contributed surplus. The total number of Fund Units issuable under the PUP could not exceed 3% of the number of Fund Units issued and outstanding. In addition, the number of Fund Units reserved for issuance pursuant to the Performance Units granted to “insiders” under the PUP together with any other unit compensation arrangement of the Fund or related Fund entities was not to exceed 10% of the issued and outstanding Fund Units.

Stock option and Restricted Share Unit Plan

In November 2007, the Board of Directors (“Board”) of Canwest Global, the ultimate parent company of the Limited Partnership, approved a new Stock Option and Restricted Share Unit Plan (the “Plan”) that will be settled through the issuance of shares of Canwest Global. The Plan provides for grants of stock options and restricted share units to employees of the Limited Partnership and its affiliates and the issuance of Subordinate Voting Shares and Non-Voting Shares (together being “Shares”) of Canwest Global upon the exercise of options or vesting of restricted share units. The Board has the authority to determine the manner in which the options granted pursuant to the Plan shall vest and other vesting terms applicable to the grant of options. Options may vest over a period of time (“Regular Options”) and/or may vest conditionally upon the attainment of specified market thresholds (“Market Threshold Options”) as determined by the Board. The Limited Partnership accounts for this compensation expense based on charges from Canwest Global. In general, the options vest over four years and expire in seven years after the grant date.

Financial Instruments

All financial assets are classified as held-for-trading, held-to-maturity, loans and receivables or available-for-sale and all financial liabilities must be classified as held-for-trading or other financial liabilities. In addition, an entity has the option to designate certain financial assets or liabilities as held-for-trading or financial assets as available-for-sale on initial recognition or upon adoption of these standards, even if the financial instrument was not acquired or incurred for the purpose of selling or repurchasing it in the near term.

Financial assets classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. If a financial asset is classified as available-for-sale, the cumulative unrealized gain or loss is recognized in Accumulated Other Comprehensive Loss (“AOCL”) and is subsequently recognized in net earnings upon sale of the financial asset or upon an other-than-temporary impairment. The Limited Partnership designates financial assets as available-for-sale if it is not a loan and receivable or required to be designated as held-for-trading. The Limited Partnership assesses whether a financial asset is other-than-temporarily impaired by assessing whether there is a significant or prolonged decline in fair value and objective evidence of impairment exists such as financial difficulty, breach or default of contracts, probability of bankruptcy or other financial reorganization.

Gains and losses related to financial assets and financial liabilities classified as held-for-trading are recorded in earnings in the period in which they arise. The Limited Partnership designates financial

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

asset and financial liabilities as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term.

All financial instruments are measured at fair value on initial recognition, except for certain related party transactions. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity or, loans and receivables, and other financial liabilities, which are measured at amortized cost.

Amortized cost related to financial assets classified as held-to-maturity or loans and receivables and other financial liabilities is recorded in net earnings using the effective interest method. If a financial asset is classified as available-for-sale, the cumulative unrealized gain or loss is recognized in AOCL and is subsequently recognized in net earnings upon the sale of the financial asset or upon an other-than-temporary impairment.

The Limited Partnership's financial assets and financial liabilities are classified as follows:

- Cash and cash equivalents are classified as held-for-trading. Changes in fair value for the period are recorded in net earnings.
- Accounts and other receivables are considered loans and receivables and are initially recorded at fair value and subsequently measured at amortized cost. Amounts due to and from related parties are initially recorded at carrying amount or exchange amount, as appropriate, and are subsequently recorded at amortized cost. Interest income is recorded in net earnings, as applicable.
- Non-revolving credit facilities, bank overdraft, accounts payable and accrued liabilities and long term debt are considered other financial liabilities and are initially recorded at fair value and subsequently measured at amortized cost. Interest expense is recorded in net earnings, as applicable.

These standards require all derivative financial instruments to be measured at fair value on the consolidated balance sheet, even when they are part of an effective hedging relationship. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is bifurcated from the host contract and accounted for as a derivative in the consolidated balance sheet, and measured at fair value.

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance account is used when there is objective evidence that it is impaired. The factors that are considered in determining if a trade receivable is impaired include whether a customer is in bankruptcy, under administration or if payments are in dispute. The offsetting expense is recognized in the net earnings within operating expenses. When a trade receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in net earnings.

The Limited Partnership applies trade date accounting for its purchases and sales of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative Financial Instruments and Hedges

All derivative financial instruments including those that are part of an effective hedging relationship are measured at fair value on the consolidated balance sheet. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is bifurcated from the host contract and accounted for as a derivative in the consolidated balance sheet, and measured at fair value.

Derivative financial instruments were used to reduce foreign currency and interest rate risk on the Limited Partnership's debt. The Limited Partnership does not enter into derivative financial instruments for trading and speculative purposes. The Limited Partnership's policy is to designate each derivative financial instrument as a cash flow or fair value hedge of a specifically identified debt instrument at the time the Limited Partnership enters into the derivative financial instrument. The Limited Partnership also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transaction are highly effective in offsetting changes in fair values or cash flow of hedged items.

As at August 31, 2009 the Limited Partnership had no derivative contracts outstanding (notes 10 and 20). As at August 31, 2008 the Limited Partnership had derivative contracts outstanding to manage interest rate and foreign currency risks where there was corresponding debt outstanding that qualified for hedge accounting under the provisions of Section 3865. The Limited Partnership designated its hedging relationships as cash flow hedges. The Limited Partnership used these derivatives to manage the interest rate and foreign exchange risks associated with the related debt instruments.

The fair value of cash flow hedges, in an effective designated relationship are recorded on the balance sheet as part of hedging derivative instruments. Cash flows related to the hedged item are classified in the same categories as the hedged item. In a cash flow hedge, the effective portion of the change in fair value of foreign currency and interest rate swaps is recognized in other comprehensive income ("OCI") and reclassified to net earnings (loss) during the period when the variability of the cash flows of the hedged items affects net earnings (loss). The ineffective portion is recognized in net earnings. When payments are made on the underlying instruments, the realized portions of the amounts previously recognized in AOCL are reclassified to interest expense and foreign exchange gains (losses), as appropriate. When the hedging item ceases as a result of maturity, termination or cancellation, then the amounts previously recognized in AOCL are reclassified to net earnings during the periods when the variability in the cash flows of the hedged item affects net earnings. When the hedged transaction is no longer expected to occur then gains and losses previously recognized in AOCL are recognized in net earnings (loss). Gains and losses on the foreign currency and interest rate swaps are reclassified immediately to net earnings when the hedged items are extinguished.

On adoption, as at September 1, 2007, hedging derivative instruments were increased by \$31.2 million, long term debt was decreased by \$14.1 million, and opening AOCL was increased by \$17.1 million, to measure the foreign currency and interest rate swaps at fair value on the consolidated balance sheet and the effective portion of the hedging relationship in AOCL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact upon adoption of new accounting standards

The following is a summary of the transition adjustments recorded in opening retained earnings, AOCL and the balance sheet related to the adoption of these new accounting standards as at September 1, 2007.

	Increase/ (Decrease)
Deficit	
Change in accounting policy for transaction costs	<u>(248)</u>
Accumulated Other Comprehensive Loss	
Effective portion of unrealized loss on foreign currency and interest rate swaps	<u>17,122</u>

Transaction costs

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. For other financial instruments, with the exception of the revolving term loan, transaction costs are included with the related financial instrument on initial recognition and amortized using the effective interest method. In August 2009, transactions costs of \$2.0 million relating to the revolving term loan were written off as the Limited Partnership no longer has the ability to draw on the facility (notes 1 and 8). In 2008 transaction costs relating to the revolving term loan were recorded as other assets on initial recognition and amortized over the term of the facility.

Accounting Changes

Credit Risk and the Fair Value of Financial Risks and Financial Liabilities

On January 20, 2009, the Emerging Issues committee issued EIC 173, "Credit Risk and the Fair Value of Financial Risks and Financial Liabilities". The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The accounting treatment for this Abstract should be applied retrospectively without restatement of prior periods to all financial assets and financial liabilities measured at fair value in interim and annual financial statements ending or after January 20, 2009. There was no impact to the Limited Partnership as at August 31, 2009.

Change in measurement date for pension and post retirement/employment liabilities (notes 11 and 15)

During the year ended August 31, 2009 the Limited Partnership changed the measurement date used to measure the accrued benefit obligation and the fair value of plan assets for accounting purposes to August 31. The Limited Partnership believes this provides reliable and more relevant information as to the plan assets and obligations at the balance sheet date. Previously the Limited Partnership used June 30 of each year. The impact of the change in measurement date was to decrease net income for the year ended August 31, 2008 by \$1.1 million (2007 - \$1.3 million) net of taxes of \$0.4 million (2007 - \$0.5 million) decrease other assets by \$2.3 million, increase other long term liabilities by \$0.7 million, decrease future income tax liabilities by \$0.8 and increase the deficit by \$2.3 million.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

This change allows for more current pension plan market values to be used in determining the net assets and liabilities of the pension plans at year end. This change in accounting policy has been applied retrospectively with Canwest LP decreasing the deficit as at September 1, 2006 by \$0.2 million and for other comparative amounts disclosed for each prior period presented.

Proposed Accounting Policies

Goodwill and Intangible assets

The AcSB issued CICA 3064, *“Goodwill and Intangible assets”*, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria for recognition of intangible assets. CICA 3064 applies to internally generated intangible assets such as research and development activities and rights under licensing agreements. The section also indicates that expenditures not meeting the recognition criteria of intangible assets are expensed as incurred. The Limited Partnership plans to, and must, apply this new standard effective September 1, 2009. The Limited Partnership does not expect the adoption of such standard to have a significant impact.

Business Combinations

The AcSB issued CICA Handbook Section 1582, *“Business Combinations”* and entities adopting CICA 1582 will also be required to adopt CICA Handbook Sections 1601, *“Consolidated Financial Statements”*, and 1602 *“Non-Controlling Interests”*. These sections replace the former CICA Handbook Sections 1581, *“Business Combinations”* and 1600, *“Consolidated Financial Statements”* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 will require additional use of fair value measurements, recognition of additional assets and liabilities and increased disclosure. CICA 1601 and 1602 will require a change in the measurement of non-controlling interest and will require the change to be presented as part of partner's equity. These standards will become effective for business combinations for which the acquisition date is on or after September 1, 2011. The Limited Partnership is currently considering the impacts of the adoption of such standards.

4. PRIVATIZATION

On May 5, 2007, the Fund, CWMW Trust (“the Trust”), Canwest, Canwest (Canada) Inc. and the Limited Partnership entered into the Privatization Agreement. The purpose of this agreement was to effect a going private transaction of the Fund. The unit holders voted on the privatization transaction at a special meeting held on July 4, 2007 and the transaction was approved with 99% approval.

On July 10, 2007, the Limited Partnership purchased and subsequently cancelled all 55.0 million issued and outstanding Class A Units held by the Trust for \$495.0 million and repaid its existing long term debt of \$825 million. The Limited Partnership paid transaction costs of \$2.2 million which resulted in a charge of \$1.9 million to the deficit, and an additional Corporate expense of \$0.3 million. The Limited Partnership obtained a short term credit facility for \$1.3 billion on July 10, 2007 and used \$495.0 million to purchase the Class A Units, which were subsequently cancelled, and \$805.0 million dollars to repay long term debt. The Limited Partnership used cash on hand to repay the remaining \$20.0 million of long term debt.

The interest paid on the short term facility while it was outstanding was \$0.7 million.

As a result of this transaction, the Fund no longer has any interest in the Limited Partnership.

4. PRIVATIZATION (continued)

On July 13, 2007, the Limited Partnership drew \$1.4 billion on its new credit facilities and used the proceeds to repay the \$1.3 billion short term credit facility, and to pay distributions of \$105.0 million to Canwest.

5. RESTRICTED CASH

Canwest LP entered into a forbearance agreement with its senior secured lenders (notes 1 and 10) on August 31, 2009. In accordance with this agreement, Canwest LP agreed to pay outstanding interest of \$13.9 million to its lenders under the senior secured credit facilities. On August 31, 2009 Canwest LP deposited cash of \$13.9 million to a restricted bank account. This cash was used to settle the accrued interest amounts outstanding to these lenders in September and October of 2009.

6. PROPERTY AND EQUIPMENT

	As at August 31, 2009		
	Cost	Accumulated amortization	Net
Land	29,329	-	29,329
Buildings	196,646	83,225	113,421
Machinery and equipment	644,629	450,307	194,322
Leasehold improvements	12,877	8,969	3,908
	<u>883,481</u>	<u>542,501</u>	<u>340,980</u>

	As at August 31, 2008		
	Cost	Accumulated amortization	Net
Land	30,214	-	30,214
Buildings	196,243	78,191	118,052
Machinery and equipment	662,688	465,117	197,571
Leasehold improvements	12,960	6,688	6,272
	<u>902,105</u>	<u>549,996</u>	<u>352,109</u>

During 2009, the Limited Partnership had no additions related to assets under capital leases. The Limited Partnership has assets under capital leases with an original cost of \$15.4 million (2008 - \$18.4 million) and accumulated amortization of \$2.6 million (2008 - \$2.8 million).

As at August 31, 2009 the Limited Partnership had assets not yet in service of \$2.2 million (2008 - \$11.2 million).

During 2009, the Limited Partnership wrote off assets with an original cost of \$47.0 million (2008 - \$19.2 million) and accumulated amortization of \$46.7 million (2008 - \$18.6 million), resulting in a write off on property and equipment of \$0.3 million (2008 - \$0.6 million).

7. ACQUISITIONS AND DIVESTITURES

On November 17, 2007, Canwest LP acquired 100% of the shares of a group of community newspapers in Windsor, Ontario. The principal activity of these companies is to print and distribute weekly and monthly community based news. The Limited Partnership has recorded goodwill of \$2.0 million as a result of the acquisition.

In April 2008, Canwest LP acquired certain assets of a community newspaper in British Columbia.

In June 2008, Canwest LP divested of 100% of the common shares it held in Edmonton Investors Group Holdings Ltd. Canwest recorded a gain of \$1.2 million on the transaction.

8. OTHER ASSETS

	As at August 31, 2009	As at August 31, 2008 (restated)
Pension assets	25,301	16,579
Deferred financing costs (net of accumulated amortization of \$3.5 million (August 31, 2008 - \$0.8 million)	-	2,719
Advertising rights (net of accumulated amortization of \$1.2 million (August 31, 2008 - \$1.0 million)	273	417
Other	621	666
	<u>26,195</u>	<u>20,381</u>

In August 2009, deferred financing costs of \$2.0 million were written off as the Limited Partnership no longer has any availability to draw on the revolver (notes 1 and 10).

On July 10, 2007, net deferred financing costs of \$5.4 million were written off due to the privatization transaction described in note 4.

9. OBLIGATIONS UNDER CAPITAL LEASES

The Limited Partnership has capital leases with future minimum lease payments for the years ended August 31 as follows:

2010	3,654
2011	3,808
2012	-
2013	-
2014	-
Thereafter	1,560
Total minimum lease payments	<u>9,022</u>
Amount representing interest (at 8.5%)	<u>(2,188)</u>
Present value of minimum capital lease payments	6,834
Less current portion of obligations under capital leases	<u>(3,138)</u>
	<u>3,696</u>

Interest expense recorded on the obligations under capital leases for the year ended August 31, 2009 was \$0.6 million (2008 - \$0.9 million, 2007 - \$1.3 million)

10. LONG TERM DEBT

	<u>As at August 31, 2009</u>	<u>As at August 31, 2008</u>
Senior Secured Credit Facilities ⁽¹⁾	876,003	842,027
Senior Subordinated Unsecured notes ⁽²⁾	429,856	415,766
Senior Subordinated Unsecured Credit Facility ⁽³⁾	<u>74,235</u>	<u>74,152</u>
Long term debt	1,380,094	1,331,945
Less portion due within one year	<u>1,380,094</u>	<u>8,313</u>
Long term portion	<u><u>-</u></u>	<u><u>1,323,632</u></u>

- (1) On July 13, 2007 the Limited Partnership entered into senior secured credit facilities. The facilities include:
- a. A \$250 million revolving term loan. As at August 31, 2009, the Limited Partnership had drawn \$116.0 million on its revolver (August 31, 2008 - \$96 million) and had letters of credit of \$2.0 million outstanding (August 31, 2008 - \$1.6 million) and had no further availability on its revolver and is in default on the revolver (note 1). This facility matures in July 2012 and is subject to certain restrictions. This facility bears interest at prime plus a margin or banker's acceptance rates plus a margin, and had an interest rate of 3.75% at August 31, 2009 (2008 – 6.57%).
 - b. A \$265 million (August 31, 2008 - \$265 million) non-revolving term loan which is subject to minimum principal payment reductions of a minimum of 5% beginning in the fourth quarter of 2009 and 10% in each of years beginning in the fourth quarter 2010. The Limited Partnership did not make the principal payment due in the fourth quarter of 2009 and is in default on the loan (note 1). This facility matures in July 2012 is subject to certain restrictions and bears interest at banker's acceptance rates plus a margin. This facility had an interest rate of 3.75% at August 31, 2009 (2008 – 6.2%).
 - c. A \$502 million (US\$458 million) (August 31, 2008 - \$489 million (US\$460 million)) term loan which is subject to principal repayments of \$5 million (US\$4.8 million) per year. The Limited Partnership did not make the principal payments due on this loan in the third and fourth quarter of 2009 and is in default on the loan (note 1). This facility matures on July 13, 2014 and is subject to certain restrictions and bears interest at floating rates based on US Base rates plus a margin. This facility had an interest rate of 4.75% at August 31, 2009. In 2008 the Limited Partnership had a foreign currency and interest rate swap to fix the interest and principal payment on a notional amount of US\$466 million which reduced with principal payments on the debt at a fixed currency exchange of US\$1:\$1.0725 until July 2014, resulting in a swap adjusted effective interest rate of 7.5%. This swap was designated a cash flow hedge and its fair value of \$46 million (current portion of \$12 million) was recorded on the consolidated balance sheet in Hedging derivative instruments as at August 31, 2008. As at August 31, 2009, the Limited Partnership no longer has a foreign currency and interest rate swap on this debt (note 20).
- (2) The Limited Partnership has senior subordinated unsecured notes of \$438 million (US\$400 million) (August 31, 2008 – \$425 million (US\$400 million)) which are due in August 2015 and bear interest at 9.25%. These notes rank junior to the Limited Partnership's senior secured credit facility and are guaranteed by certain subsidiaries of the Limited Partnership. The Limited Partnership is in default on this debt (note 1). The senior subordinated unsecured notes have a variable prepayment option at a premium. The prepayment option represents an embedded derivative that is to be accounted for separately at fair value. As at August 31, 2009, the estimated fair value of the prepayment option was nil. In 2008 the Limited Partnership had a US\$400 million swap resulting in a fixed currency exchange rate of US\$1:\$1.0725 until July 2015 and a fixed interest rate of 9.1%. The swap adjusted effective interest rate was 9.1%. This swap was designated a cash flow hedge and its fair value of \$9 million (current portion – nil) was recorded on the consolidated balance sheet in Hedging derivative instruments. As at August 31, 2009, the Limited Partnership no longer has a foreign currency and interest rate swap on this debt (note 20).
- (3) The Limited Partnership has a \$75 million senior subordinated unsecured credit facility. This unsecured facility ranks junior to the Limited Partnership's senior credit facility and is guaranteed by certain subsidiaries of the Limited Partnership. The Limited Partnership is in default on this debt (note 1). This facility which matures in July 2015 is subject to certain restrictions and bears interest at prime plus a margin. This facility had an effective interest rate of 9.0% as at August 31, 2009 (2008 – 11.1%).

10. LONG TERM DEBT (continued)

On July 13, 2007 debt with a book value of \$825 million was retired using the proceeds of the new debt described above. Deferred financing costs of \$5.4 million relating to the debt were written off. The Limited Partnership also settled the associated interest rate swap contract for cash proceeds of \$22.5 million and recorded an interest rate swap gain of \$22.5 million.

The Limited Partnership was not in compliance with its financial covenants under its senior secured credit facilities as of August 31, 2009. From May 2009 to August 2009 the Limited Partnership did not make interest and principal payments on its senior secured credit facilities and the associated hedging derivative instruments or in respect of its senior subordinated unsecured credit facility or its senior subordinated unsecured notes. As a result of the payment default, the hedging derivative instrument counterparties terminated the hedging arrangements and demanded immediate payment of an aggregate of \$68.9 million. The Limited Partnership has not satisfied this demand and does not have adequate liquidity to satisfy this or any other such demand and has, accordingly, classified its debt as current. Effective August 31, 2009, the Limited Partnership entered into a forbearance agreement with the senior secured credit facility lenders. The terms of this agreement are disclosed in note 1.

The Limited Partnership and its subsidiaries are subject to covenants under certain credit facilities described above, including thresholds for leverage and interest coverage, and are also subject to distribution restrictions and other certain restrictions under negative covenants. As noted above, the Limited Partnership was not in compliance with its debt covenants as at August 31, 2009.

The senior secured credit facilities noted above are secured by substantially all of the Limited Partnership's directly held assets including the assets of Canwest LP, Canwest Media (Canada) Inc. and Canwest Publishing Inc.

Interest expense recorded on the long-term debt for the year ended August 31, 2009 was \$98.4 million (2008 - \$107.8 million; 2007 - \$51.3 million).

11. INCOME TAXES

The provision for income taxes reflects an effective income tax rate which differs from its combined Canadian federal and provincial statutory income tax rate as follows:

	For the twelve months ended		
	August 31, 2009	August 31, 2008 (restated)	August 31, 2007 (restated)
Income taxes at combined Canadian statutory income tax rate of 30.14% (August 31, 2008 - 31.59%, August 31, 2007 - 33.32%)	(22,567)	45,191	65,449
Valuation allowance	24,554	(455)	(968)
Effect of income tax rates differing from the combined Canadian statutory income tax rate	3,747	(497)	510
Effect of change in expected future income tax rates	349	(3,800)	(642)
Partnership net earnings allocated to Limited Partners, and therefore not subject to tax	(16,785)	(42,641)	(69,174)
Performance unit plan payments in excess of expense	-	-	(527)
Non-taxable portion of capital gains	(295)	(342)	(41)
Non-taxable portion of capital loss	2,909	-	614
Permanent swap deductible difference	(2,004)	-	-
Timing differences not previously recognized	-	299	-
Non-deductible expenses	1,338	1,096	854
Other	(139)	735	(551)
Recovery of income taxes	<u>(8,893)</u>	<u>(414)</u>	<u>(4,476)</u>

	As at August 31, 2009	As at August 31, 2008 (restated)
Future tax assets		
Non-capital loss carryforwards	31,254	1,011
Net-capital loss carryforwards	386	623
Accounts payable and other accruals	2,436	1,250
Pension and post-retirement benefits	19,138	16,084
Asset retirement liability	79	75
Less: Valuation allowance	(25,177)	(623)
Total future income tax assets	<u>28,116</u>	<u>18,420</u>
Future tax liabilities		
Capital cost allowances in excess of book amortization	39,338	40,386
Pension asset	6,353	4,916
Goodwill	9,895	9,476
Asset retirement asset	8	13
Total future income tax liabilities	<u>55,594</u>	<u>54,791</u>
Net future income tax liability	<u>27,478</u>	<u>36,371</u>
Current future income tax asset	-	1,917
Long term future income tax liability	<u>27,478</u>	<u>38,288</u>

11. INCOME TAXES (continued)

	For the twelve months ended		
	August 31, 2009	August 31, 2008 (restated)	August 31, 2007 (restated)
Current income taxes	-	(516)	(342)
Provision for (recovery of) future income taxes	<u>(8,893)</u>	<u>102</u>	<u>(4,134)</u>
Recovery of income taxes	<u>(8,893)</u>	<u>(414)</u>	<u>(4,476)</u>

As of August 31, 2009, subsidiaries of Canwest LP had non-capital loss carry-forwards for income tax purposes of \$122 million that expire as follows: 2010 - \$0.2 million, 2011 - nil, 2012 - nil, 2013 - nil, 2014 - \$0.3 million, thereafter \$121.5 million and net capital loss carry-forwards in the amount of \$1.5 million. The non-capital and net capital loss carry-forwards have been reflected in these financial statements.

Taxable income of the Limited Partnership is taxed in the hands of the unit holders. Therefore only temporary differences relating to corporate subsidiaries have been reflected in the statements. The Limited Partnership has net deductible temporary differences of \$96.4 million (2008 - \$61.5 million) which are only disclosed in the financial statements.

12. STOCK BASED COMPENSATION

Performance Unit Plan (“PUP”)

The PUP plan which came into effect on November 3, 2005 was terminated on July 12, 2007, resulting in the immediate vesting of all Performance Units (including Distribution Equivalents) held in each Participant’s account. As a result, each PUP participant received a cash payment in an amount per Performance Unit equal to the Unit Redemption price of \$9.00 multiplied by the applicable Performance Modifier in respect of such Performance Unit. This resulted in an additional expense of \$6.6 million (note 17) and a total cash payout on July 12, 2007 of \$9.7 million.

On November 6, 2006, 533,344 Performance Units were issued to employees of Canwest LP. The fair value of the Fund Units and Performance Units was estimated to be \$7.01 at the time of issuance. The total compensation expense prior to the termination of the PUP plan was recognized over the three year vesting period on a straight line basis with a credit to contributed surplus. Projected forfeitures were revised quarterly.

12. STOCK BASED COMPENSATION (continued)

The Performance Units accounts are summarized as follows:

	For the twelve months ended August 31, 2007	
	<u>Units</u>	<u>Weighted Average Fair Value</u>
Performance Units		
Opening balance at the beginning of the period	414,492	\$ 7.01
Units granted in the period	533,344	7.01
Units forfeited in the period	(39,044)	7.01
Units vested and converted to cash in period	<u>(908,792)</u>	<u>9.00</u>
Total Performance Units	<u><u>-</u></u>	<u><u>\$ -</u></u>
Vested, end of period	-	
Weighted average remaining contractual life	-	

The total compensation, net of an estimation for forfeitures, for the twelve months ended August 31, 2007 was \$8.2 million.

	For the twelve months ended August 31, 2007	
	<u>Units</u>	<u>Weighted Average Fair Value</u>
Distribution Equivalents		
Opening balance at the beginning of the period	38,241	\$ 6.71
Distribution Equivalents granted in the period	85,936	7.01
Units forfeited in the period	(2,262)	6.62
Units vested and converted to cash in the period	<u>(121,915)</u>	<u>9.00</u>
Total Distribution Equivalents	<u><u>-</u></u>	<u><u>\$ -</u></u>
Weighted average remaining contractual life	-	

The total charge to deficit for Distribution Equivalents, net of an estimation for forfeitures, for the twelve months ended August 31, 2007 was \$0.6 million.

12. STOCK BASED COMPENSATION (continued)

Significant assumptions used in the calculation of the final payout of the Performance Units and Distribution Equivalents prior to the termination of the PUP plan were as follows:

- a) Forfeitures were estimated at a rate of 5%. This estimate was based on management's judgment and was reviewed quarterly based on actual forfeitures.
- b) The fair value of the Performance Units and Distribution Equivalents was adjusted to reflect the impact of a performance modifier and the award of units at the end of the Performance Period to reflect the Fund's actual performance over the same period. The Performance Modifier for the Units issued on November 3, 2005 was 75% and for the Units issued on November 6, 2006 was 125%.
- c) The fair value of the Performance Units was \$9.00 per unit on July 12, 2007.

Stock option and Restricted Share Unit Plan

On November 6, 2007, the Board granted 339,100 Regular Options and 70,800 Market Threshold Options to employees of the Limited Partnership. All of these options vest over a four year period, expire on November 6, 2014 and were granted at an average exercise price of \$7.50 per option, the market trading value of the shares on that day. The fair value of the options granted was estimated using the binomial option pricing model with the assumptions of no dividend yield, an expected volatility of 28%, risk free interest rates of 4.2% and an expected life of 6 years. The total fair value of the Regular Options issued was \$0.9 million, an average of \$2.61 per option. The total fair value of the Market Threshold Options was \$0.2 million, an average of \$2.44 per option.

Eligible participants receive grants of Restricted Share Units ("RSU"), under the Plan, which are settled by the issuance of an equivalent number of Canwest Global Shares at the end of a three year term if the attainment of specified performance goals as determined by the Board have been met. Additional RSU's would be granted if Canwest Global declared dividends prior to the settlement date. On November 6, 2007, the Board granted 171,400 restricted share units to employees of the Limited Partnership. The fair value at the time of issuance was \$7.50 per RSU.

The Limited Partnership has recorded compensation expense relating to this plan of \$0.4 million with an offsetting credit to amounts due to related companies for the year ended August 31, 2009 (August 31, 2008 - \$0.5 million).

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<u>Unrealized loss on cash flow hedges</u>	
	<u>For the twelve months ended</u>	
	<u>August 31,</u>	<u>August 31,</u>
	<u>2009</u>	<u>2008</u>
Balance, beginning of period	(45,472)	-
Cumulative impact on implementing new accounting standards (note 3)	-	(17,122)
Other comprehensive loss for the period	45,472	(28,350)
Balance, end of period	<u>-</u>	<u>(45,472)</u>

14. STATEMENTS OF CASH FLOWS

The following amounts comprise the net change in non-cash operating accounts included in the consolidated statements of cash flows:

	For the twelve months ended		
	August 31, 2009	August 31, 2008	August 31, 2007
CASH GENERATED (UTILIZED) BY:			
Accounts receivable	45,146	(7,385)	1,449
Inventory	4,053	(1,905)	4,399
Prepaid expenses	(1,581)	1,444	5,333
Other assets	(42)	254	864
Restricted cash (note 5)	(13,902)	-	-
Accounts payable and accrued liabilities	13,266	1,426	8,079
Income taxes recoverable	581	19	329
Deferred revenue	(1,248)	(317)	798
	<u>46,273</u>	<u>(6,464)</u>	<u>21,251</u>

	For the twelve months ended		
	August 31, 2009	August 31, 2008	August 31, 2007
Interest paid	58,392	110,032	39,212
Income taxes paid (recovered)	518	(575)	(713)

15. RETIREMENT ASSETS AND OBLIGATIONS

The Limited Partnership has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension and post retirement and post employment benefits to its employees. The defined benefit pension plans are based upon years of service and final average salary.

Information on the Limited Partnership's pension and post-retirement and post-employment benefit plans follows:

	Pension benefits ⁽¹⁾	
	For the twelve months ended	
	August 31, 2009	August 31, 2008
		(restated)
Plan Assets		
Fair value - beginning of period	253,521	249,223
Actual returns on plan assets	(9,413)	(3,116)
Employer contributions	21,621	19,983
Employee contributions	5,333	5,273
Transfer ⁽⁴⁾	-	(7,301)
Benefits paid	<u>(14,441)</u>	<u>(10,541)</u>
Fair value - end of period	<u>256,621</u>	<u>253,521</u>
Plan Obligations		
Accrued benefit obligations - beginning of period	312,781	323,410
Accrued interest on benefits	19,299	18,130
Current service costs	15,407	15,660
Benefits paid	(15,174)	(10,541)
Transfer ⁽⁴⁾	-	(7,301)
Actuarial gains	<u>(14,353)</u>	<u>(26,577)</u>
Accrued benefit obligations - end of period	<u>317,960</u>	<u>312,781</u>

The Limited Partnership's net accrued benefit assets are determined as follows:

Accrued benefit obligations	317,960	312,781
Fair value of plan assets	<u>256,621</u>	<u>253,521</u>
Plan deficits	(61,339)	(59,260)
Unamortized net actuarial losses	73,700	63,562
Unamortized past service costs	<u>3,041</u>	<u>3,396</u>
Accrued plan assets	<u>15,402</u>	<u>7,698</u>

15. RETIREMENT ASSETS AND OBLIGATIONS (continued)

The accrued pension benefit asset of \$25.3 million (2008 - \$16.6 million (restated)) is included in other assets, the accrued pension liability of \$9.9 million (2008 - \$8.9 million (restated)) and the accrued post-retirement/employment benefit liability is included in accrued pension, post-retirement and other liabilities in the consolidated balance sheets.

	Post-retirement/employment benefits ⁽²⁾	
	For the twelve months ended	
	August 31, 2009	August 31, 2008 (restated)
Plan Assets		
Fair value - beginning of period	-	-
Actual returns on plan assets	-	-
Employer contributions	2,944	1,489
Employee contributions	-	-
Benefits paid	<u>(2,944)</u>	<u>(1,489)</u>
Fair value - end of period	<u>-</u>	<u>-</u>
Plan Obligations		
Accrued benefit obligations - beginning of period	40,469	42,391
Accrued interest on benefits	3,080	2,588
Current service costs	4,405	2,021
Benefits paid	(2,944)	(1,489)
Actuarial losses (gains) ⁽⁶⁾	<u>10,849</u>	<u>(5,042)</u>
Accrued benefit obligations - end of period	<u>55,859</u>	<u>40,469</u>
Accrued benefit obligation	55,859	40,469
Unamortized net actuarial gains	<u>8,953</u>	<u>9,821</u>
Accrued post-retirement benefit liability	<u>64,812</u>	<u>50,290</u>
	<u>Actual</u>	<u>Actual</u>
Pension plan assets consist of:		
Equity securities	63%	63%
Debt securities	35%	35%
Other	2%	2%
Total	<u>100%</u>	<u>100%</u>

15. RETIREMENT ASSETS AND OBLIGATIONS (continued)

The pension plans have no investment in securities of Canwest entities.

Effective August 31, 2009 Canwest LP changed the measurement date of its pension plans from June 30 to August 31 (note 3). As a result, Canwest LP has measured its accrued benefit obligations and the fair value of plan assets for accounting purposes as at August 31.

The most recent actuarial valuation for the most significant of the pension plans, which make up substantially all of the accrued benefits obligations, was as of December 31, 2008. The valuations indicated that the plans had deficiencies. As a result, the Limited Partnership is currently required to make special payments for the next twelve months of \$18.6 million. The next required valuation will be as at December 31, 2009 and must be complete by September 30, 2010. The investment strategy for pension plan assets is to utilize a balanced mix of equity and fixed income portfolios to earn a long term investment return that meets the pension plan obligations. Active management strategies and style diversification strategies are utilized in anticipation of realizing investment returns in excess of market indices.

Total cash payments for 2009, consisting of cash contributed by the Limited Partnership to its funded pension plans, cash payments to beneficiaries for its post-retirement/employment plans and cash contributed to its defined contribution plans, was \$26.7 million (2008 - \$23.5 million, 2007 - \$18.9 million).

The Limited Partnership's pension benefit expense is determined as follows:

	For the twelve months ended August 31, 2009			For the twelve months ended August 31, 2008 (restated)		
	Incurred in year	Matching adjustments ⁽³⁾	Recognized in year	Incurred in year	Matching adjustments ⁽³⁾	Recognized in year
Current service costs	15,407	-	15,407	15,660	-	15,660
Employee contributions	(5,333)	-	(5,333)	(5,273)	-	(5,273)
Accrued interest on benefits	19,299	-	19,299	18,130	-	18,130
Return on plan assets	9,413	(27,738)	(18,325)	3,116	(21,206)	(18,090)
Administrative expenses	-	40	40	-	-	-
Past service costs	-	355	355	-	440	440
Net actuarial losses	(14,353)	17,600	3,247	(26,577)	30,763	4,186
Benefit expense	24,433	(9,743)	14,690	5,056	9,997	15,053
Employer contribution to the defined contribution plan	2,050	-	2,050	2,048	-	2,048
Total pension benefit expense	26,483	(9,743)	16,740	7,104	9,997	17,101

15. RETIREMENT ASSETS AND OBLIGATIONS (continued)

	For the twelve months ended August 31, 2007 (restated)		
	Incurred in year	Matching adjustments ⁽³⁾	Recognized in year
Current service costs	16,543	-	16,543
Employee contributions	(5,254)	-	(5,254)
Accrued interest on benefits	16,801	-	16,801
Return on plan assets	(26,124)	10,520	(15,604)
Plan amendment	3,859	(3,859)	-
Past service costs	-	11	11
Net actuarial losses	1,809	4,470	6,279
Benefit expense	7,634	11,142	18,776
Employer contribution to the defined contribution plan	2,030	-	2,030
Total pension benefit expense	9,664	11,142	20,806

The Limited Partnership's post-retirement/employment benefit expense is determined as follows:

	For the twelve months ended August 31, 2009			For the twelve months ended August 31, 2008 (restated)		
	Incurred in year	Matching adjustments ⁽³⁾	Recognized in year	Incurred in year	Matching adjustments ⁽³⁾	Recognized in year
Current service costs	4,405	-	4,405	2,021	-	2,021
Accrued interest on benefits	3,080	-	3,080	2,588	-	2,588
Net actuarial losses (gains) ⁽⁶⁾	10,849	(868)	9,981	(5,042)	9,123	4,081
Total post-retirement benefit expense	18,334	(868)	17,466	(433)	9,123	8,690

	For the twelve months ended August 31, 2007 (restated)		
	Incurred in year	Matching adjustments ⁽³⁾	Recognized in year
Current service costs	1,554	-	1,554
Accrued interest on benefits	2,230	-	2,230
Net actuarial losses (gains) ⁽⁶⁾	1,017	(688)	329
Total post-retirement benefit expense	4,801	(688)	4,113

15. RETIREMENT ASSETS AND OBLIGATIONS (continued)

Significant actuarial assumptions in measuring the Limited Partnership's accrued benefit obligations as at August 31 are as follows:

	<u>Pension Benefits</u>		<u>Post-retirement/employment benefits</u>	
	2009	2008	2009	2008
Discount rate	6.33%	6.15%	6.40%	6.10%
Rate of compensation increase	3.10%	3.70%	3.10%	3.70%

Significant actuarial assumptions in measuring the Limited Partnership's benefit costs as at August 31 are as follows:

	<u>Pension Benefits</u>			<u>Post-retirement/employment benefits</u>		
	2009	2008	2007	2009	2008	2007
Discount rate	6.15%	5.60%	5.75%	6.10%	5.60%	5.75%
Expected long-term rate of return on pension plan asset	7.00%	7.15%	7.25%	-	-	-
Rate of compensation increase	3.70%	2.90%	3.70%	3.70%	3.70%	3.70%

The discount rate was estimated by applying Canadian corporate AA zero coupon bonds to the expected future benefit payments under the plans. For fiscal 2010, the expected long-term rate of return on plan assets is 7.0%, based on experience and discussions with plan managers. In 2010, the Partnership expects to contribute \$32.6 million (including special payments of \$18.6 million) to its defined benefit pension plans and \$1.1 million to its other post-retirement benefit plans.

Benefit payments, which reflect expected future service, are expected to be paid as follows for the years ending August 31:

2010	14,983
2011	16,667
2012	18,373
2013	20,077
2014	21,791
2015 - 2019	138,271

15. RETIREMENT ASSETS AND OBLIGATIONS (continued)

- (1) As at August 31, 2009, none of the Limited Partnership's defined benefit pension plans were fully funded.
- (2) Post-retirement plans are non-contributory and include health and life insurance benefits. The assumed health care cost trend rates for the next year used to measure the expected cost of benefits covered for the post retirement health and life plans were 7.6% for medical, to an ultimate rate of 4.6% over 10 years to 2019. A one percentage point increase in assumed health care cost trend rates would have increased the service and interest costs and obligation by \$0.4 million and \$4.4 million, respectively. A one percentage point decrease in assumed health care cost trends would have lowered the service and interest costs and the obligation by \$0.3 million and \$3.6 million respectively.
- (3) Accounting adjustments to allocate costs to different periods to reflect the long term nature of employee future benefits.
- (4) In 2008 \$7.3 million in pension assets related to operations which have been sold were transferred to the acquirer.
- (5) Canwest LP changed the measurement date of its pension plans from June 30, to August 31, of each year which will allow for the plans to reflect the market values as at August 31. The result of this measurement date change is detailed in note 3.
- (6) Actuarial losses of \$6.7 million were recorded in the current year as a result of a non-pension arrangement not previously recognized as a liability and expense in Canwest LP's financial statements (note 25).

16. PARTNERS' CAPITAL

Canwest Limited Partnership has 158,262,703 Limited Partnership units issued and outstanding to Canwest at August 31, 2009 and August 31, 2008.

Canwest (Canada) Inc., the general Partner of the Limited Partnership, holds an undivided interest of 0.001% in Canwest LP, as established by the Partnership Agreement.

Distributions are paid to Canwest based on the units outstanding, at the sole discretion of the General Partner, once the General Partner has received its pro rata share of the distribution (.001%). During the twelve months ended August 31, 2009, Canwest LP paid distributions of \$45.0 million to Canwest (2008 - \$166.0 million).

17. RESTRUCTURING

In 2008, the Limited Partnership initiated and completed certain changes in its work flow processes which resulted in the centralization of certain functions. The total cost associated with this initiative of \$10.7 million was accrued in 2008.

During the twelve months ended August 31, 2009, the Limited Partnership initiated certain initiatives in its Publishing segment, which are expected to result in a workforce reduction of 519 positions. These current initiatives are expected to be complete by May 31, 2010 with total costs estimated in the range of \$29 million to \$30 million. During the twelve months ended August 31, 2009, the Limited Partnership accrued costs of \$28.0 million related to these initiatives.

17. RESTRUCTURING (continued)

The Limited Partnership has recorded the restructuring amounts in accounts payable and accrued liabilities and has expensed the workflow reduction costs in restructuring expenses as follows:

	<u>For the twelve months ended</u>	
	<u>August 31,</u>	<u>August 31,</u>
	<u>2009</u>	<u>2008</u>
Restructuring liability, beginning of period	2,376	-
Accrued during the period	<u>27,959</u>	<u>10,708</u>
	30,335	10,708
Payments during the period	<u>(20,912)</u>	<u>(8,332)</u>
Restructuring liability, end of period	<u>9,423</u>	<u>2,376</u>

During the twelve months ended August 31, 2009 the Limited Partnership incurred reorganization costs relating to future financing and capital requirements of \$7.2 million.

During the twelve months ended August 31, 2007 the Limited Partnership incurred expenses of \$6.9 million in conjunction with the privatization transaction as described in note 4. These expenses totaled \$6.9 million and consisted of transaction costs of \$0.3 million (note 4) and PUP termination costs of \$6.6 million (note 12).

18. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Amounts due to (from) related companies

Amounts due to (from) related companies are related to obligations incurred by Canwest LP on behalf of related companies and disbursements made on behalf of other Canwest companies outside Canwest LP and are accordingly classified as operating cash flows.

Total amounts due to (from) related companies are non-interest bearing and have fixed repayment terms.

(b) Acquisition

In June, 2008, Canwest LP purchased 100% of the shares of WIC Television Production Sub Inc. from Canwest for cash of \$0.6 million. This transaction was recorded at the carrying amount, resulting in a charge to the Limited Partnership's deficit of \$0.3 million.

18. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(c) Related party transactions

Cross-promotional activities

Canwest LP and other Canwest entities are involved in cross-promotional activities whereby Canwest LP's entities provide advertising space in their newspaper and online media to other Canwest entities, and the Limited Partnership's entities are provided with advertising time or space by the Canadian Broadcasting Operations and the *National Post*.

Canwest Limited Partnership has entered into an agreement with the Canadian Broadcasting Operations and the *National Post*, whereby these activities will be charged to the various entities. For the twelve months ended August 31, 2009, Canwest Limited Partnership has recorded revenue of \$0.9 million related to these activities (2008 - \$1.2 million, 2007 - \$1.9 million).

Editorial content

Canwest LP, the *National Post* and the Canadian Broadcasting Operations provide each other certain affiliation services related to editorial content. The *National Post* and the Canadian Broadcasting Operations contributed editorial content to the Limited Partnership's and online interactive services, and the *National Post* and Canadian Broadcasting Operations have access to the Limited Partnership's editorial content, information and editorial services. For editorial content activities, Canwest LP, the *National Post* and the Canadian Broadcasting Operations provide such services on a cost-recovery basis. Canwest LP has recorded a cost recovery of \$1.9 million for the twelve months ended August 31, 2009 (2008 - \$1.3 million, 2007 - \$1.4 million).

These cost recoveries have been included in operating expenses.

Advisory, business and administrative services

Canwest LP provides a number of services to other Canwest entities as follows:

- (a) advisory services to the *National Post* regarding corporate development, capital expenditures and other operational matters;
- (b) business and administrative support services to the Canadian Broadcasting Operations, *National Post* and other Canwest entities including information technology, human resources services, accounting and corporate development support services;
- (c) customer support services to the Canadian Broadcasting Operations and the *National Post*; and
- (d) website support services and provision of online sales representation to the Canadian Broadcasting Operations and the *National Post*.

Canwest LP and Canwest have entered into various agreements that outline the amount of the charges or the basis on which the charges above are determined.

For the twelve months ended August 31, 2009, Canwest LP recorded a recovery of \$21.0 million related to services provided to the Canadian Broadcasting Operations, *National Post*, and other Canwest entities (2008 - \$20.0 million, 2007 - \$16.6 million).

18. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

In addition, Canwest provides a number of services to Canwest LP as follows:

- (a) executive advisory services related to corporate development, strategic planning, capital allocation, financing, equity and debt holder relations, insurance and risk management, tax planning and certain operational matters; and
- (b) services related to legal, tax compliance, financial reporting, internal audit, investor and public relations, treasury, human resource management, sales representation and capital asset management.

Canwest LP and Canwest have entered into various agreements that outline the amount of the charges or the basis on which the charges above are determined.

For the twelve months ended August 31, 2009, Canwest Limited Partnership recorded expenses of \$6.4 million related to services received from Canwest (2008 - \$5.6 million, 2007 - \$5.8 million).

The above costs and recoveries have been included in operating expenses.

Sales and marketing services

In fiscal 2008 the sales and marketing division of Canwest provided Canwest LP with national advertising sales representation and charged a commission to Canwest LP for sales made on its behalf as well as an overhead charge. During the twelve months ended August 31, 2008 costs associated with the national advertising sales representation were recorded in the amount of \$5.7 million (2007 - \$13.6 million). There were no charges to Canwest LP in the current fiscal year.

These costs have been included in operating expenses.

Printing and distribution services

Canwest LP performs printing and distribution services for the *National Post*. The total recoveries for the twelve months ended August 31, 2009 were \$12.2 million (2008 - \$13.9 million, 2007 - \$14.6 million).

These cost recoveries have been included in operating expenses.

Occupancy costs

Canwest LP and the Publications Group recover occupancy costs based upon a proportionate allocation of actual costs based upon the square footage occupied by the *National Post* and certain Broadcast operations. The total recoveries for the twelve months ended August 31, 2009 were \$1.6 million (2008 - \$1.7 million, 2007 - \$1.7 million).

These cost recoveries have been included in operating expenses.

All the related party transactions have been recorded at the exchange amounts, which are the amounts agreed to by the related parties.

19. JOINTLY CONTROLLED ENTERPRISES

Joint Venture

On May 31, 2007, the Limited Partnership disposed of its investment in the joint venture for cash proceeds of \$1.2 million and recorded a gain of \$1.3 million.

There are no amounts relating to this joint venture on the Limited Partnership's Balance sheet as at August 31, 2009 and August 31, 2008 or in the Limited Partnership's consolidated statement of earnings for the twelve months ended August 31, 2009 and 2008.

The following amounts included in the consolidated statements of earnings represent the Limited Partnership's and the Publications Group's proportionate interest in Metro:

	For the twelve months ended August 31, 2007
Statement of earnings	
Revenue	2,061
Operating expenses	3,293
Depreciation	<u>48</u>
Net loss	<u><u>(1,280)</u></u>
Statement of cash flows	
Cash generated (utilized) by:	
Operating activities	3,666
Investing activities	155
Financing activities	(4,040)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Financial Instruments

	Carrying Amounts					August 31, 2008
	August 31, 2009					
	Financial instruments required to be classified as held for trading	Financial instruments classified as available for sale	Loans and receivables	Financial liabilities at amortized cost	Foreign currency interest rate swaps accounted for as hedges	
Financial Assets						
Cash and cash equivalents	43,427	-	-	-	-	-
Restricted cash	13,902	-	-	-	-	1,331,945
Accounts receivable	-	-	103,489	-	-	148,635
	57,329	-	103,489	-	-	1,480,580
Financial Liabilities						
Bank overdraft	-	-	-	-	-	2,303
Accounts payable and accrued liabilities	-	-	-	126,260	-	112,994
Swap liability	-	-	-	68,874	-	1,331,945
Long term debt	-	-	-	1,380,094	-	1,331,945
Hedging derivative instruments	-	-	-	-	-	54,505
	-	-	-	1,575,228	-	2,833,692

There have been no changes in classification of financial instruments during the current fiscal year.

Total interest expense for financial liabilities carried at amortized cost is \$95.8 million (2008 - \$107.8 million, 2007 - \$57.4 million).

The fair values as compared to carrying values of the financial instruments are as follows:

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	43,427	43,427	-	-
Restricted cash	13,902	13,902	-	-
Accounts receivable	103,489	103,489	148,635	148,635
	160,818	160,818	148,635	148,635
Financial Liabilities				
Bank overdraft	-	-	2,303	2,303
Accounts payable and accrued liabilities	126,260	126,260	112,994	112,994
Swap liability	68,874	68,874	-	-
Long term debt	1,380,094	577,947	1,331,945	1,254,667
Hedging derivative instruments	-	-	54,505	54,505
	1,575,228	773,081	1,501,747	1,424,469

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The estimated fair values of financial instruments as at August 31, 2009 and 2008 are based on relevant quoted market prices and information available at the time.

The fair value of the short term financial assets and liabilities, which include cash and cash equivalents, accounts receivable, bank overdraft, and accounts payable and accrued liabilities, approximates their carrying value due to the short term nature of these financial assets and liabilities.

The fair value of long term debt is estimated by using quoted market values for debt.

(b) Financial Risk Management

The Limited Partnership's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Limited Partnership has used derivative financial instruments to hedge foreign currency and interest rate risk exposures.

The Limited Partnership uses different methods to monitor the different types of risk to which it is exposed. These methods include monitoring fair value of derivative instruments, fair value of publicly traded debt, foreign exchange rates and interest rates with respect to interest rates and foreign exchange risk, aging analysis and credit reviews for credit risk and cash flow projections for liquidity risk.

Risk management is primarily the responsibility of the Limited Partnership's corporate finance functions. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Limited Partnership's approved policies, established for that purpose. In addition, as required these risks are reviewed with senior management. As a result of Canwest LP's current financial condition it is no longer able to manage its foreign currency risk and interest rate risk using derivative financial instruments (note 1).

(i) Foreign Currency Risk

Fair value risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. The Limited Partnership is exposed to foreign currency risk arising from US dollar denominated debt. The Limited Partnership managed its exposure on its US dollar denominated debt and expected foreign currency exposures on US dollar denominated foreign currency with cash flows associated with interest settlements. The Limited Partnership's treasury risk management policy is to hedge, when possible, between 50% and 100% of its US dollar denominated debt instruments.

On May 29, 2009 as a result of the payment default on the amounts due under the senior secured credit facility, the hedging derivative instrument counter parties terminated the hedging arrangements previously in place and the Limited Partnership is currently reviewing its policies in relation to foreign currency risk.

As a result, as at August 31, 2009, the Limited Partnership has no interest rate and foreign currency swaps and is no longer in a position to manage foreign currency risk on US dollar dominated debt of US\$858 million. As at August 31, 2009, if the Canadian dollar had weakened or strengthened by 1% against the US dollar with all other variables held constant, after tax net earnings (loss) for the period would have decreased or increased respectively, by \$9.6 million.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(ii) Interest Rate Risk

The Limited Partnership has no significant interest-bearing assets. The Limited Partnership's interest rate risk arises from long term borrowings issued at variable rates which expose the Limited Partnership to cash flow interest rate risk. Borrowings issued at fixed rates expose the Limited Partnership to fair value interest rate risk.

The Limited Partnership has a practice of managing its cash flow interest rate risk by using interest rate and foreign currency swaps but does not have a formal interest rate risk policy. Such swaps have the economic effect of converting borrowings from US floating rates to Canadian fixed rates or from US fixed rates to Canadian fixed rates.

Under these swaps, the Limited Partnership agreed with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts, as well as, amounts reflecting the amortization of the principal amount.

As a result of the changes in the Limited Partnership's financial position (note 1) it is no longer in a position to utilize foreign currency and interest rate swaps to manage interest rate risk.

As at August 31, 2009, including the impact of the swap liability, the Limited Partnership holds \$1,026.4 million of debt subject to cash flow interest rate risk and \$438.0 million of debt subject to fair value interest rate risk.

As at August 31, 2009, if interest rates on long term debt had been 10 basis points higher or lower with all other variables held constant, net earnings (loss) for the period would have been \$0.6 million higher or lower, respectively, for the year ended August 31, 2009.

Hedging Derivative Instruments

As a result of the termination of the hedging derivative instruments in 2009, the Limited Partnership recorded an interest rate and foreign currency swap loss of \$180.2 million, reclassified \$60.1 million of accumulated other comprehensive losses to the income statement as a result of hedge ineffectiveness and recorded a foreign exchange gain on the related long term debt of \$152.1 million for the twelve months ended August 31, 2009.

The Limited Partnership has no hedging derivative instruments as at August 31, 2009. As at August 31, 2008 the notional amount and fair value of the fixed to floating interest rate and foreign currency swap was \$493.8 million and \$45.7 million respectively and the notional amount and fair value of the fixed to fixed interest rate and foreign currency swap was \$429.0 million and \$8.8 million respectively.

During the twelve months ended August 31, 2009, \$180.5 million of foreign exchange gains were reclassified to the income statement from AOCL, representing foreign exchange gains on the notional amounts of the cash flow hedging derivatives. These amounts were offset by foreign exchange losses recognized on the related USD denominated long term debt.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

During the year ended August 31, 2009, the Limited Partnership reclassified \$9.2 million from AOCL to net earnings upon payment of interest. This amount has been recorded as a charge to interest expense and represents the effect of the swaps on the Limited Partnership's interest expense.

The change in the fair value of the debt does not have an impact on net earnings (loss) and other comprehensive income (loss) as the debt is accounted for as other financial liabilities at amortized cost.

(iii) Credit Risk

The objective of managing counter-party credit risk is to prevent losses on financial assets. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures on related outstanding receivables. The Limited Partnership's maximum exposure to credit risk are the amounts currently recognized as financial assets. Cash and cash equivalents are held at large chartered Canadian banks and accordingly the credit risk is considered minimal as the banks are rated AA (low).

For exposures to accounts receivable from advertising agencies and other customers, the Limited Partnership assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors in determining credit limits. Credit is extended to customers following a credit review that includes obtaining credit ratings from external sources. Credit limits are determined based on credit assessment criteria and credit quality. Outstanding receivables are monitored regularly and any credit concerns are brought to the attention of operational management. The Limited Partnership uses a variety of industry and other external sources to monitor its customers.

Management regularly monitors accounts receivable aging and customer credit limits as well as performs credit reviews and provides allowances for potentially uncollectible accounts receivable. The amounts disclosed in the consolidated balance sheet are net of allowances for doubtful accounts. The Limited Partnership establishes an allowance for doubtful accounts that represents its estimate of expected losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures and an overall loss component established based on historical trends. Accounts receivable are doubtful when there is evidence that collection is unlikely. The factors that are considered in determining if collection is unlikely include whether a customer is in bankruptcy, under administration or the payments are in dispute. At August 31, 2009, the Limited Partnership had accounts receivable of \$103.5 million (2008 - \$148.6 million) net of an allowance for doubtful accounts of \$5.4 million (2008 - \$5.3 million) which adequately reflects the Limited Partnership's credit risk. At August 31, 2009, \$46.7 million (2008 - \$57.2 million) of accounts receivable is considered past due and not yet impaired, which is defined as amounts outstanding beyond normal credit terms and conditions for respective customers.

The Limited Partnership believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk. The activity of the allowance for doubtful accounts for the period is as follows:

	Year ended August 31, 2009	Year ended August 31, 2008	Year ended August 31, 2007
Allowance for doubtful accounts - beginning of year	5,282	6,156	5,353
Provision for doubtful accounts	2,937	2,077	2,751
Write-offs and recoveries	(2,774)	(2,951)	(1,948)
Allowance for doubtful accounts - end of year	5,445	5,282	6,156

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Sales in the publishing segment are widely distributed with 28% (2008 – 20%) of the \$103.5 million (2008 - \$148.6 million) in accounts receivable due from the largest ten accounts which are all advertising agencies. The largest amount due from a single agency is \$5.5 million (2008 - \$5.0 million) or 5% (2008 – 3%) of receivables at August 31, 2009.

(iv) Liquidity Risk

Liquidity risk is the risk that the Limited Partnership will encounter difficulty in meeting obligations associated with its financial liabilities and contractual obligations. The Limited Partnership manages its liquidity risk using cash on hand and by preparing weekly rolling cash flow forecasts and by deferring or eliminating discretionary spending. The Limited Partnership did not make principal and interest payments due in May 2009 and subsequent months in order to preserve cash (notes 1 and 10).

Under the Limited Partnership's senior secured credit facilities and senior subordinated unsecured credit facilities and senior subordinated unsecured notes it is required to maintain to the leverage ratio of less than 5.75:1.0, a senior leverage ratio of less than 3.75:1.0, and an interest coverage ratio of not less than 1.75:1.0. As described in note 1, certain long term debt is in default which results in these debts being due on demand. If the long term debt is demanded, the Limited Partnership would not be able to satisfy these obligations. As a result, \$1.4 billion of long term debt is due in less than a year and the Limited Partnership has no further availability under its revolving facilities (notes 1 and 10). On August 31, 2009 the Limited Partnership entered into a forbearance agreement with its senior secured lenders. This is an agreement whereby its senior secured lenders have agreed to not take steps with respect to the specified loan defaults to proceed with the enforcement of the security held in support of the loans pursuant to the credit agreement, in order to afford the senior secured lenders and Canwest LP the opportunity to work together to develop a recapitalization strategy (note 1).

The table below summarizes the Limited Partnership's financial liabilities by maturity at the balance sheet date. The amounts disclosed in the table are the contractual cash flows.

	Less than 1 year	Thereafter	Total
Accounts payable, accrued liabilities and interest	126,260	-	126,260
Long term debt	1,380,094	-	1,380,094
Swap liability	68,874	-	68,874
	1,575,228	-	1,575,228

21. CAPITAL MANAGEMENT

The Limited Partnership's capital management objective is to maximize partner returns while ensuring the Limited Partnership is capitalized in a manner which appropriately supports its operations and provides the flexibility to take advantage of growth and development opportunities of the business. The Limited Partnership was not in compliance with its debt covenants as at August 31, 2009 and has entered into a forbearance agreement with its senior secured lenders (notes 1 and 10) for the purposes of developing a recapitalization strategy. As a result of this recapitalization strategy the Limited Partnership is currently developing capital management policies and reviewing the objectives stated above.

22. RECLASSIFICATION OF PRIOR PERIOD AMOUNTS

Certain prior period amounts have been reclassified to conform to the financial statement presentation adopted in the current year.

23. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Limited Partnership has entered into various operating leases for property, office equipment and vehicles. Aggregate future minimum lease payments under the terms of these leases are as follows:

2010	15,208
2011	12,537
2012	11,093
2013	10,685
2014	10,360
Thereafter	31,687

CONTINGENCIES

- (a) Canwest had requested arbitration related to amounts owed by Hollinger International Inc., Hollinger Canadian Newspapers Limited Partnership and certain other Hollinger entities (collectively, "Hollinger International") related to unresolved matters from Canwest's November 2000 acquisition of newspaper assets from Hollinger International. Canwest LP had made \$6.4 million in payments on behalf of Hollinger since the acquisition and had recorded such amounts as accounts receivable. In addition, an obligation of \$2 million pertaining to post-employment plans of former Hollinger International employees had also been recorded during the current period. In March 2009, Canwest negotiated a settlement amount with Hollinger International. As a result of this settlement the Limited Partnership received a payment of \$3.5 million in March 2009 and recognized a charge of \$4.9 million to operating expenses for the twelve months ended August 31, 2009.
- (b) Canwest Publishing Inc. 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. While the final outcome of these proceedings cannot be predicted with certainty, any liability that may arise is not expected to have a material effect on the financial position or results of operations of the Canwest LP. Canwest has agreed to indemnify Canwest LP with respect to all of its potential liability in connection with this claim.
- (c) Canwest LP 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 Limited Partnership's financial position, results of operations or cash flows.

24. SUBSEQUENT EVENTS

On October 30, 2009, substantially all the assets and liabilities of the *National Post* were transferred from Canwest to a new wholly owned subsidiary of Canwest Publishing Inc. for approximately \$2.5 million dollars.

On October 26, 2009 the Limited Partnership entered into a new agreement with Canwest in relation to related party transactions. This agreement is effective as of November 1, 2009 and will not have a material impact on the Limited Partnership's operating expenses.

25. SEGMENT INFORMATION

Canwest LP has two operating segments, both in Canada, being the Newspapers segment and the Digital Media segment. The Newspapers segment publishes daily and non-daily newspapers. Its revenues are primarily from advertising and circulation. The Digital Media segment operates the *canada.com* web portal and provides subscription services relating to investing and financial news and other information. Its revenues are primarily from subscriptions and advertising.

Each segment operates as a strategic business unit with separate management. Segment performance is measured primarily upon the basis of segment operating profit. Segmented information and a reconciliation from segment operating profit to earnings (loss) before income taxes are presented below. Canwest LP accounts for intersegment sales as if the sales were to third parties.

Operating expenses for the twelve months ended August 31, 2009 include a reduction of \$6.2 million for active employee health and insurance benefits and an increase of \$6.7 million for non-pension benefits related to prior years for the Publishing segment resulting in a net increase to operating expenses of \$0.5 million in the current fiscal year. The Limited Partnership has determined these adjustments are not material to the recorded results and accordingly the adjustments have been included in net earnings (loss).

	Revenue		
	For the twelve months ended		
	August 31, 2009	August 31, 2008	August 31, 2007
Operating Segments			
Newspapers	984,596	1,171,068	1,156,878
Digital Media	40,035	35,000	32,647
Inter-segment revenues	(3,247)	(3,016)	(3,162)
Total operating segments	<u>1,021,384</u>	<u>1,203,052</u>	<u>1,186,363</u>

25. SEGMENT INFORMATION (continued)

	Segment Operating Profit		
	For the twelve months ended		
	August 31, 2009	August 31, 2008 (restated)	August 31, 2007 (restated)
Operating Segments			
Newspapers	167,866	297,542	279,624
Digital Media	11,880	8,285	3,006
Total operating segments	<u>179,746</u>	<u>305,827</u>	<u>282,630</u>
Reconciliation of segment operating profit to earnings (loss) before income taxes for the period			
Total operating segments	179,746	305,827	282,630
Restructuring ⁽¹⁾	<u>(35,195)</u>	<u>(10,708)</u>	<u>(6,869)</u>
	144,551	295,119	275,761
Amortization of property and equipment	(39,885)	(46,647)	(47,495)
Other amortization	(191)	(194)	(188)
Ineffective portion of hedging derivative instrument	(60,112)	-	-
Interest expense, net	(98,422)	(109,300)	(51,382)
Amortization of deferred financing costs	-	-	(7,419)
Other income	2,925	2,925	3,050
Gain (loss) on disposal of property and equipment	1,890	(544)	340
Gain on disposal of joint venture	-	-	1,318
Gain (loss) on disposal of interest rate swaps	(180,202)	-	22,520
Gain on sale of investment	-	1,218	-
Foreign currency exchange gains (losses)	154,571	477	(80)
Earnings (loss) before income taxes	<u>(74,875)</u>	<u>143,054</u>	<u>196,425</u>

⁽¹⁾ Costs related to various restructuring initiatives, reorganization costs and costs related to the PUP payout and Privatization transaction as described in note 17.

25. SEGMENT INFORMATION (continued)

Operating Segments	Total Assets		Capital Expenditures	
	As at August 31, 2009	As at August 31, 2008 (restated)	As at August 31, 2009	As at August 31, 2008
Newspapers ⁽²⁾	618,084	609,655	24,247	23,588
Digital Media	8,499	6,616	2,578	1,033
Unallocated ⁽³⁾	18,295	31,357	3,697	11,533
	<u>644,878</u>	<u>647,628</u>	<u>30,522</u>	<u>36,154</u>

⁽²⁾ Canwest Limited Partnership's goodwill of \$95.0 million relates to the newspaper segment.

⁽³⁾ Unallocated amounts represent assets and capital expenditures for administration functions for which all of the operating expenses are allocated to the various entities to which services are provided.

26. UNITED STATES ACCOUNTING PRINCIPLES

These consolidated 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 following information complies with the GAAP reconciliations requirements of the Securities Exchange Commission (SEC) as published in Item 17 of form 20-F, except that these consolidated financial statements do not include push down accounting in accordance with SEC regulations. Amounts are in thousands of Canadian dollars, unless otherwise noted.

Principle differences affecting the Limited Partnership

a) Comprehensive Income

Comprehensive income, defined as all changes in equity other than those resulting from investments by owners and distributions to owners, must be reported under US GAAP. Similar requirements under Canadian GAAP were adopted by the Limited Partnership effective September 1, 2007 (note 3). Upon adoption of CICA 1530, *Comprehensive Income*, the Limited Partnership reported Other Comprehensive Income and Accumulated Other Comprehensive Loss in accordance with Canadian GAAP.

b) Proportionate consolidation

Canadian GAAP requires the accounts of jointly controlled enterprises to be proportionately consolidated. Under US GAAP, investments in jointly controlled entities are accounted as equity investments. This accounting difference applied to the Limited Partnership's investment in Metro. The proportionate interest is disclosed in note 19. Accordingly, this difference for the twelve months ended August 31, 2007 has not been included in the following reconciliation under accommodations by the SEC. There are no differences for the year ended August 31, 2009 or August 31, 2008 as the Limited Partnership disposed of its investment in May 2007.

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

c) Accounting for derivative instruments and hedging activities

The Limited Partnership entered into an interest rate swap on October 13, 2005 which was settled on July 10, 2007 and entered into two foreign currency interest rate swaps on July 13, 2007. Effective September 1, 2007, the Limited Partnership adopted the new Canadian GAAP accounting standards for financial instruments (note 3). As a result, under Canadian GAAP, the Limited Partnership now records the changes in fair value of cash flow hedging derivatives in other comprehensive income, to the extent effective, until the variability of cash flows relating to the hedged asset or liability is recognized in net earnings. Under US GAAP these instruments are not accounted for as hedges but instead changes in the fair value of the hedging derivative instruments are recognized in the statement of earnings immediately. As such, the U.S. GAAP reconciliation reflects the reclassification of gains on foreign currency and interest rate swaps of \$45,472 from other comprehensive income for the year ended August 31, 2009 (2008 – losses of \$28,350). For the year ended August 31, 2007 the US GAAP reconciliation reflects the recording of losses on foreign currency and interest rate swaps of \$23,781. No tax provision has been recorded as the interest rate swap is held by the Limited Partnership which is not subject to tax.

d) Pension and post-retirement liabilities

As at August 31, 2007 the Limited Partnership adopted SFAS 158 Employers' Accounting for Defined Benefits Pension and Other Post-retirement Plans which requires employers to recognize in its balance sheet an asset for a plan's over funded status or a liability for a plan's under funded status, and recognize changes in the funded status of a defined benefit pension and post-retirement plans in the year in which the changes occur through comprehensive income and a separate component of shareholders' equity. Upon adoption, AOCL was increased by \$39,972 and other liabilities were increased by \$39,972. The effect on the US GAAP reconciliation for the year ended August 31, 2009 was to decrease comprehensive income by \$10,651 (2008 – increase of \$13,022) net of a future income tax recovery of nil (2008 – provision of \$4,576). In addition for the year ended August 31, 2009, the Limited Partnership recorded a future income tax provision of \$14,287 to reverse future tax assets previously recorded related to pension and other post-retirement plans. In addition for the year ended August 31, 2008, tax rate changes impacted future tax related to pension and post-retirement liabilities by a provision of \$3,336. The balance sheet effect at August 31, 2009 was to decrease other assets by \$25,301 (2008 - \$18,916), increase other accrued pension, post-retirement and other liabilities by \$42,487 (2008 - \$36,063), decrease future income tax liabilities by nil (2008- \$14,287) and increase partners' deficiency by \$67,788 (2008 - \$40,692). The pension and post-retirement liabilities for the year ended August 31, 2008 includes an accumulated comprehensive loss adjustment from the prior year of \$9,584, net of tax of \$3,366, related to the adoption of SFAS 158. The Limited Partnership has determined this adjustment is not material to the previously reported results.

For periods prior to August 31, 2007, SFAS 87, *Employers' Accounting for Pensions* recognized an additional minimum pension liability when the accumulated benefit obligation exceeded the fair value of plan assets to the extent that such excess was greater than accrued pension costs otherwise recorded. For the purposes of determining the additional minimum pension liability, the accumulated

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

benefit obligation did not incorporate projections of future compensation increases in the determination of the obligation. No such adjustment was required under Canadian GAAP. The effect on the US GAAP reconciliation for the year ended August 31, 2007 was to increase other comprehensive income by \$5,784, net of taxes of \$2,465. In addition, tax rate changes impacted future tax by a provision of \$195 for the year ended August 31, 2007.

e) Enacted tax rates

Under SFAS109, *Accounting for Income Taxes*, future tax liabilities should be adjusted for the effect of change in tax laws or tax rates in the period in which the changes are enacted. Under Canadian GAAP, the change in tax laws or tax rates are reflected when the change is substantively enacted. For the years ended August 31, 2009, 2008 and 2007, there were no differences in the rates to be used under U.S. and Canadian GAAP.

f) Consolidated Statement of Cash Flows

The Limited Partnership's consolidated statement of cash flows is prepared in accordance with Canadian GAAP, which is consistent with the principles for cash flow statements in International Accounting Standard No. 7, *Cash Flow Statements*. Consistent with the accommodation provided by the Securities and Exchange Commission for a GAAP reconciliation, the Limited Partnership has not provided a reconciliation of cash flows to US GAAP.

h) Debt Issuance Costs

Upon the adoption of CICA 3855, "*Financial Instruments – Recognition and Measurement*", on September 1, 2007, for Canadian GAAP (note 3), debt issuance costs recorded in the consolidated financial statements are included in long term debt and recognized in earnings using the effective interest method. Under US GAAP, debt issuance costs are classified as an asset. The effect on the US GAAP reconciliation as at August 31, 2009 would be an increase to other assets of \$15,462 (2008 - \$17,771) with an offsetting increase to the current portion of long-term debt.

Changes in accounting policies

The Fair Value Option for Financial Assets and Financial Liabilities including and amendment of FASB Statement No. 115 ("SFAS 159")

FASB issued SFAS 159 which gives companies the option, with some exceptions, to record its financial instruments and certain other items at fair value. The fair value option can be applied on an instrument by instrument basis. This standard also expands the disclosures required for instruments where the fair value option has been applied. The standard is applicable for fiscal years beginning after November 15, 2007. The Limited Partnership did not elect to record financial assets or liabilities at fair value as at August 31, 2009.

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

Fair Value Measurements (“SFAS 157”)

FASB issued SFAS 157 which defines fair value, establishes a framework for measuring fair value in US GAAP and expands disclosures about fair values. This standard does not require any new fair value measurements. The standard is applicable for fiscal years beginning after November 15, 2007 and did not have an impact on the Limited Partnership.

Subsequent Events (“SFAS 165”)

The FASB issued SFAS No. 165 “Subsequent Events” (SFAS 165). SFAS 165 establishes general standards of accounting and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. The Limited Partnership adopted SFAS 165 for the year ended August 31, 2009 and its adoption did not result in any significant or material changes to our reporting of subsequent events. All subsequent events as at November 26, 2009 have been reported.

Change in Measurement date for Pension and Post Retirement/Employment Benefits

During the year ended August 31, 2009 the Limited Partnership changed the measurement date used to measure the accrued benefit obligation and the fair value of plan assets for accounting purposes to August 31. Previously the Limited Partnership used June 30 of each year. For Canadian GAAP purposes, this change in accounting policy was applied retroactively as stated in note 3 however for US GAAP in accordance with FAS158 the Limited Partnership adopted the measurement date provisions by remeasuring the plan assets and accrued benefit obligation at August 31, 2008. The net periodic benefit cost from June 30, 2008 to August 31, 2008 of \$914 was recorded in opening deficit. Other changes in the fair value of plan assets and accrued benefit obligations resulting from the change in measurement date of \$2,158 were recorded in opening AOCL. The effect on September 1, 2008 was an increase in partner’s deficiency of \$2,272 net of tax of \$798. The effect on the US GAAP reconciliation for the year ended August 31, 2008 was to increase net earnings by \$1,118 (2007 - \$1,327) net of future income tax provision of \$403 (2007 - \$395). The balance sheet effect at August 31, 2009 was to increase other assets by nil (2008 - \$2,337), decrease other accrued pension, post-retirement and other liabilities by nil (2008 - \$733), increase future income tax liabilities by nil (2008- \$798) and decrease partners’ deficiency by nil (2008 - \$2,272).

Proposed accounting policies

Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB Statement No. 133 (“SFAS 161”)

FASB issued SFAS 161 that enhances the disclosures of derivative instruments and hedging activities by requiring disclosure of how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and how derivative instruments and related hedged items affect a company’s financial position, financial performance and cash flows. This standard is effective for fiscal years beginning after November 15, 2008. The Limited Partnership is currently considering the impact of this standard on its disclosures.

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

Codification and Hierarchy of Generally Accepted Accounting Principles (“SFAS 168”)

The FASB issued SFAS No. 168 “Codification and Hierarchy of Generally Accepted Accounting Principles” (SFAS 168). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities presented in conformity with US GAAP, replacing FAS 162, *The Hierarchy of Generally Accepted Accounting Principles*. The Limited Partnership plans to, and must apply FAS No. 168 subsequent to September 1, 2009. The adoption of such standard only impacts the Limited Partnership’s current disclosures.

Business Combinations (“FASB 141(R)”) and Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51 (“FASB 160”)

The FASB issued FASB Statement No. 141 (revised 2007), “Business Combinations”, and FASB Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51”. Under FASB Statement No. 141(R), the acquirer must recognize, with certain exceptions, 100% of the fair values of assets acquired, liabilities assumed, and noncontrolling interests in acquisitions of less than 100% controlling interest when the acquisition constitutes a change in control of the acquired entity. Additionally, when an acquirer obtains partial ownership in an acquiree, an acquirer recognizes and consolidates assets acquired, liabilities assumed and any noncontrolling interests at 100% of their fair values at that date regardless of the percentage ownership in the acquiree. As goodwill is calculated as a residual, all goodwill of the acquired business, not just the acquirer’s share, is recognized under this “full-goodwill” approach. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition related costs incurred in connection with a business combination shall be expensed. FASB Statement No. 160 establishes new accounting and reporting standards for noncontrolling interests (formerly known as “minority interests”) in a subsidiary and for the deconsolidation of a subsidiary. The Limited Partnership plans to, and must, apply FAS No. 141(R) for all business combinations subsequent to September 1, 2009. The Limited Partnership plans to, and must, apply FAS No. 160 subsequent to September 1, 2009, with related presentation retroactively restated. The adoption of these policies will not have a material impact on the Limited Partnership.

Measuring Liabilities at Fair Value (“ASU 2009-05”)

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, “Measuring Liabilities at Fair Value (ASU-2009-05)”. This update provides amendments to ASC 820, “Fair Value Measurements and Disclosure”, for the fair value measurement of liabilities when a quoted price in an active market is not available. ASU 2009-05 is effective for reporting periods beginning after August 28, 2009. The Limited Partnership does not currently believe that this update will have a material impact on the results of operations or financial position.

Income Taxes (Topic 740) – Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities (“ASU 2009-06”)

This update, issued in September 2009, provides implementation guidance on accounting for uncertainty in income taxes, as well as eliminates certain disclosure requirements for nonpublic entities. ASU 2009-06 is effective for interim and annual periods ending after September 15, 2009. The adoption of ASU 2009-06 is not expected to have a material impact on the Limited Partnership’s results of operations or financial position.

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

Comparative Reconciliation of Net Earnings (Loss)

The following is a reconciliation of net earnings (loss) reflecting the differences between Canadian and US GAAP:

	For the twelve months ended		
	August 31, 2009	August 31, 2008	August 31, 2007
Net earnings (loss) in accordance with Canadian GAAP (2008 and 2007 restated) ⁽¹⁾	(65,982)	143,468	200,901
Reversal of Canadian GAAP change in measurement date	-	1,118	1,327
Net earnings (loss) as previously reported	<u>(65,982)</u>	<u>144,586</u>	<u>202,228</u>
Gains (losses) on foreign currency and interest rate swaps (c)	45,472	(28,350)	(23,781)
Tax effect of adjustments and tax rate changes (d)	<u>(14,287)</u>	<u>(3,336)</u>	<u>(195)</u>
Net earnings (loss) for the period in accordance with US GAAP	<u><u>(34,797)</u></u>	<u><u>112,900</u></u>	<u><u>178,252</u></u>

⁽¹⁾ restated for Canadian GAAP change in measurement date which was adopted retroactively with restatement

Consolidated Statement of Comprehensive Income (Loss)

The following is a reconciliation of comprehensive income (loss) reflecting the differences between Canadian and US GAAP:

	For the twelve months ended	
	August 31, 2009	August 31, 2008
Comprehensive income (loss) in accordance with Canadian GAAP (2008 - restated) ⁽¹⁾	(20,510)	115,118
Reversal of Canadian GAAP change in measurement date	-	1,118
Comprehensive income (loss) in accordance with Canadian GAAP as previously reported	<u>(20,510)</u>	<u>116,236</u>
Impact of US GAAP differences on net income	31,185	(31,686)
	10,675	84,550
Accounting for derivative instruments and hedging activities (c)	(45,472)	28,350
Pension and post-retirement liabilities (d)	(10,651)	17,598
Tax effect on adjustments (d)	-	(4,576)
	<u>(56,123)</u>	<u>41,372</u>
	<u><u>(45,448)</u></u>	<u><u>125,922</u></u>

⁽¹⁾ restated for Canadian GAAP change in measurement date which was adopted retroactively with restatement

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

Under Canadian GAAP, the Limited Partnership was not required to present comprehensive income for the year ended August 31, 2007. Under US GAAP, comprehensive income for the year ended August 31, 2007 is as follows:

	August 31, 2007
Net earnings in accordance with US GAAP	<u>178,252</u>
Pension and post-retirement liabilities (d)	<u>8,249</u>
Tax effect of adjustments (d)	<u>(2,465)</u>
	<u>5,784</u>
Comprehensive income	<u><u>184,036</u></u>

Accumulated other comprehensive loss:

	Hedging Derivative Instruments	Pension and post-retirement liabilities	Total
Accumulated other comprehensive loss - August 31, 2006	-	(24,016)	(24,016)
Change during the period	-	5,784	5,784
Adoption of SFAS 158 (d)	-	(39,972)	(39,972)
Accumulated other comprehensive loss - August 31, 2007	-	(58,204)	(58,204)
Adjustment to adoption of SFAS 158 (d)	-	9,584	9,584
Other comprehensive loss in accordance with Canadian GAAP	(28,350)	-	(28,350)
Change during the period	<u>28,350</u>	<u>13,022</u>	<u>41,372</u>
Accumulated other comprehensive loss - August 31, 2008	-	(35,598)	(35,598)
Other comprehensive loss in accordance with Canadian GAAP	45,472	-	45,472
Change in measurement date per SFAS 158 (d)	-	(2,158)	(2,158)
Change during the period	<u>(45,472)</u>	<u>(10,651)</u>	<u>(56,123)</u>
Accumulated other comprehensive loss - August 31, 2009	<u><u>-</u></u>	<u><u>(48,407)</u></u>	<u><u>(48,407)</u></u>

26. UNITED STATES ACCOUNTING PRINCIPLES (continued)

Comparative Reconciliation of Partners' Deficiency

A reconciliation of partners' deficiency reflecting the differences between Canadian and US GAAP is set out below:

	<u>As at August 31, 2009</u>	<u>As at August 31, 2008 (restated)</u>	<u>As at August 31, 2007</u>
Partners' deficiency in accordance with Canadian GAAP (2008 and 2007 restated) ⁽¹⁾	(1,073,905)	(1,008,393)	(940,340)
Reversal of Canadian GAAP change in measurement date	-	2,272	1,154
Partners' deficiency as previously reported	<u>(1,073,905)</u>	<u>(1,006,121)</u>	<u>(939,186)</u>
Gains (losses) on foreign currency and interest rate swaps (c)	-	-	(17,122)
Pension and post-retirement liabilities (d)	(67,788)	(54,979)	(85,527)
Tax effect of adjustments and tax rate changes ⁽²⁾	<u>-</u>	<u>14,287</u>	<u>25,565</u>
Partners' deficiency in accordance with US GAAP	<u><u>(1,141,693)</u></u>	<u><u>(1,046,813)</u></u>	<u><u>(1,016,270)</u></u>

⁽¹⁾ restated for Canadian GAAP change in measurement date which was adopted retroactively with restatement

⁽²⁾ 2008 was restated to reflect a tax rate change of \$3,336 which was incorrectly adjusted to the tax balance which then resulted in a corresponding change to the partners' deficiency as at August 31, 2008.