LOUD + CLEAR

NewCap RADIO

Newfoundland Capital Corporation Limited

2009 ANNUAL REPORT

Newfoundland Capital Corporation Limited ("the Company" or "Newcap") is one of Canada's largest pure-play radio companies, employing 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 59 FM and 20 AM licences which can be heard throughout Canada. The majority of our stations are accessible via the Internet, allowing listeners to tune in to our stations at any time, from anywhere. The primary source of the Company's revenue is derived from the sale of advertising airtime. In 2009, the Company generated $105.3 million in revenue for positive growth of 2%. Newfoundland Capital Corporation Limited trades on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

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"If you can connect with a community, you've got their complete support. They take ownership of your station."

CLEARLY LOCAL RADIO IS THE DIFFERENCE

More stable

Local advertising revenue has provided steady year-over-year growth to the Company.

Compared to national advertising revenue, local advertising revenue has proven to be much more stable during turbulent economic times. Local businesses depend on radio advertising to drive their success. It is our local advertising revenue that enabled us to generate growth of 2% in 2009, while the industry average shrunk by 9%.

Better connected

Local radio plays a vital role in building vibrant communities. Our stations strive to be at the centre of events and charity drives to best connect with and reflect the needs of our listeners. Our talented research, marketing and promotional teams work hard to give our audiences exactly what they want.

Generates loyalty

Our dedication to understanding our listeners makes us the voice of the community, wherever we broadcast. Local radio has the power to move people, and bring the needs of the community to the forefront. Local radio fosters lasting relationships with listeners and advertisers alike, and creates a targeted and loyal listener base on which our customers rely.

Widely accessible

By broadcasting our stations in small and mid-sized markets, we have been able to weather the economic storm, as smaller markets tend to be less impacted by slowdowns than larger markets.

A CLEAR GROWTH STRATEGY WITH PROVEN RESULTS

In 2009 we outpaced the radio industry revenue growth rate by eleven percent in a very tough year. This is an achievement. We also reduced our debt load by $18.6 million.

We started with one AM radio station in 1986, and we now have 79 licences throughout Canada. Over the last two decades we have been managing, operating, building, and developing radio in communities large and small across the country. We have grown to become the largest pure-play radio company in Canada, and have demonstrated that through every economic cycle, radio is resilient and delivers stable revenues even in turbulent economic times.

In 2009, we achieved year-over-year growth in revenue, and our growth rate of 2 percent outpaced the industry rate of negative 9 percent. Growth from existing operations came as a result of enhancements to our programming which was reflected in ratings gains and growing market share in virtually all markets.

Despite the difficult circumstances and uncertainty surrounding companies around the globe in 2009, we continued to post positive growth. This was due in large part to our local focus. While national advertising revenue was equal to last year, we increased our local advertising revenue. We believe that the strong relationships we have built with local businesses have allowed the Company to grow.

Once again, the Board of Directors declared dividends of $0.10 per share.

STICKING TO OUR STRATEGY

In 2009, we remained focused on value-enhancing initiatives. We concentrated on short-term goals—maximizing returns on our existing assets by enhancing programming and improving content to garner increased market share and by closely monitoring our costs; we also wanted to reduce our debt load. We did not however, lose sight of our strategy to create long-term value for our shareholders by converting AM stations to FM stations whenever possible, and assessing acquisition opportunities that meet our investment criteria of cash-accretive properties in strategic markets. It is also important that we continually vet our current asset base and consider asset dispositions if they no longer fit our long-term strategies.

During the year, we made several moves that fit with this strategy. In the summer of 2009, we launched HOT 93.5 FM in Sudbury to complement the existing Big Daddy 103.9 FM station also serving the region. To date, HOT has been performing to our expectations and we expect further enhancements to this station in 2010.

In order to strengthen our core holdings, we sold our two stations in Thunder Bay, Ontario: CKTG-FM The Giant 105.3, and CJUK-FM Magic 99.9 which were determined to be non-core assets. The stations were sold in December 2009 for $4.5 million plus working capital. While the stations were positive contributors to the Company, there was little opportunity for us to expand Newcap's presence in the area and benefit from any further cash-accretive synergies. The proceeds from the sale were used to reduce debt, thereby strengthening our balance sheet for future acquisitions.

WIDENING OUR REACH

We continued to increase the number of listeners and communities we reach by adding new FM licences and converting existing AM licences to FM. We received CRTC approval for four new FM repeater licences in Prince Edward Island. These will allow the Company to broadcast the two successful FM stations in Charlottetown, Prince Edward Island to two new communities in the same province. We also received approval to convert stations in St. Paul and High Prairie, Alberta and stations in Wabush and Goose Bay, Newfoundland and Labrador from AM to FM.

KEY OBJECTIVES IN 2010

We outpaced the radio industry revenue growth rate by eleven percent in a very tough year. This is an achievement. In 2009 we also reduced our debt load by $18.6 million. The combination of positive growth, a stronger balance sheet, and a company whose operations are completely focused on encouraging the best radio professionals to perform at their peak, is what positions this Company so well in the Canadian industry.

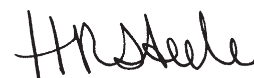
Moving forward, we will continue to grow our existing operations, seek to expand our reach through accretive acquisitions and new licence applications while continuing to focus on our strong operational foundation which exists through our commitment to talent, listeners, and the communities to which we belong. We will continue to focus efforts in our largest markets—Calgary, Edmonton, and Ottawa, which bear the greatest upside potential for revenue and EBITDA.

We want to extend our gratitude to our employees who have worked tirelessly to ensure that our stations understand at a very essential and grounded level the wants and needs of our listeners.

We also thank our long-term shareholders for their interest in the Company, and our Board of Directors for their continued leadership and support.

Sincerely,

Rob Steele
President and
Chief Executive Officer



Harry Steele
Chairman

Radio Licences by region:

WESTERN: 34

CENTRAL: 6

EASTERN: 39

KG Country 95.5 FM and Z99-FM finished 1st and 2nd in the Red Deer market in 2009.

CALGARY: P. 10

In 2009, Ottawa's HOT 89.9 FM was the highest rated station among adults aged 25-54 in the Ottawa market.

SUDBURY: P. 12

The Giant 101.9 in Sydney and K-Rock 89.3 in Kentville have both captured over 50% of their respective market share in their second year of operation.

CHARLOTTETOWN: P. 14

In 2009, our focused effort on local sales, local content, local programming and local advertising was critical to the Company's positive revenue growth. No one works harder than us to understand and deliver what local advertisers, businesses and listeners want. We have some of the best radio professionals in Canada delivering high-quality programming that reaches millions of listeners every week.

Charity

John Steele, President of the Company's Newfoundland and Labrador operations, was recently awarded the St John's Board of Trade Business Person of the Year award. He was also recognized formally for his tireless efforts on behalf of Daffodil Place, a charitable organization of which John is Chair of Fundraising. John and the Newfoundland and Labrador radio stations played a major role in the promotion and fundraising for Daffodil Place, raising $7 million for the facility. Daffodil Place is located in St John's and contains 24 rooms designed for those living with cancer. Each room offers the comforts of home and the privacy that will help patients on their road to recovery.

FOCUS ON DEVELOPING LOCAL TALENT

SUPPORTING LOCAL TALENT

The "LiVE 88.5 Big Money Shot" is an annual talent search organized by Newcap's Ottawa station LiVE 88.5 FM.

In an effort to creatively serve its listeners and promote music in the area, LiVE created the Big Money Shot in 2006, and the competition has been a cornerstone in Ottawa's independent music community ever since.

Every year the "LiVE 88.5 Big Money Shot" gives hundreds of bands from the Ottawa region the chance to perform for a top prize of $250,000. This year, the event awarded a total of $420,000 in cash prizes. Over the past four years, the LiVE Big Money Shot alone has provided $2 million to Canadian musicians; helping hundreds of artists turn their talents and passion into viable careers.

The Big Money Shot exists as a part of Newcap's commitment to Canadian Content Development ("CCD"), a multifaceted CRTC initiative. Newcap consistently contributes on average $4 million in cash annually to CCD, and equal or greater value through airplay and promotion of burgeoning Canadian stars. In 2007 and 2008, Newcap paid $3.5 million and $3.9 million in annual CCD commitments, respectively. In 2009, Newcap contributed close to $5 million.

The Big Money Shot is more than just about money. The six-month competition gives artists opportunities to network with top industry representatives, facilitate working relationships with other bands, and most importantly, gives a platform to showcase their music to thousands of fans in the area.

In 2009, Big Money Shot champions were rockers Hollerado (pictured), who hail from Manotick, Ontario, 40 kilometres outside of Ottawa. Hollerado has been gaining momentum in the music industry and will be opening for Jack White of the White Stripes' new project, The Dead Weather. The band has been touring extensively, successfully playing venues in Argentina, Brazil and China.

Lee Wagner, Newcap Radio Ottawa Operations Manager, said "This year's contest has proven that this city has some of the best up-and-coming talent in Canada. I feel confident that 2010 will be the year that the Ottawa music scene is elevated to the next level based on the strength of the talent we have seen come out of the region this year. Stay tuned!"

SCORECARD

Goal	How we do it	Why it matters	How we did in 2009
Maximize Return of Existing Radio Assets	■ Improve programming, research and marketing to capture ratings and market share ■ Monitor and control operating costs ■ Offer innovative advertising campaigns ■ Remain connected to the local audience	Creates expansion and promotes leadership and innovation in local markets with relatively low expenditure requirements	■ Paid close attention to reducing operating costs while making sure any cuts would not impact revenue generating ability at present and in future. ■ Focused heavily on research to generate higher returns in Calgary, Edmonton and Ottawa – our largest markets. ■ Re-launched and rebranded CFUL in Calgary, Alberta as AMP Radio, playing contemporary hits.

Goal	How we do it	Why it matters	How we did in 2009
Grow by New Licences & Convert AM Stations to FM	■ Aggressively apply to convert AM stations to FM ■ Consider every CRTC call for radio applications	Allows the Company to reach more listeners, and gain a greater market presence for advertisers, increasing the asset value of the portfolio	■ Received CRTC approval for four new FM repeater licences in Prince Edward Island. ■ Received CRTC approval for a total of four AM to FM conversions: two stations in Alberta and two stations in Newfoundland and Labrador. ■ Continued to apply to the CRTC for new licences and other conversions.

Goal	How we do it	Why it matters	How we did in 2009
Grow by Acquisition	■ Assess new acquisition opportunities that meet our investment criteria of building cash-accretive assets in strategic markets where the Company can leverage existing assets	Delivers immediate cash flow from new and high-growth markets	■ Launched HOT 93.5 FM in Sudbury, a new FM to complement the existing Big Daddy 103.9 FM station also serving the region.

HOPE FOR HAITI

In early 2010, communities across Canada rallied to raise money and aid for earthquake and poverty-stricken Haiti. Newcap participated in radiothons in small and mid-sized markets in seven different provinces and helped raise $760,000 in just two weeks. The Company continues to provide airtime and volunteers for fundraisers and charity drives. The total number of donations raised (at the time of print) is nearly $1,000,000.

FOCUS ON WESTERN REGION: CALGARY

GREY CUP TAILGATE

In 2009, Calgary hosted the 97th Grey Cup, one of Canada's largest annual sporting events. Newcap's Calgary stations XL-103 FM and AMP Radio were at the centre of the action on Grey Cup weekend.

The stations hosted parties with thousands of people in attendance as they gave away prizes and entertained their listeners. XL-103 FM, a classic hits station, was on site at a three-day tailgate party held at the Quick Six Saloon. The XL street team was also in downtown Calgary where there were more pre-game festivities, entertaining football fans with giveaways and XL music. The XL booths had plenty of visitors—even the Grey Cup mascot showed up—not to mention more than a few fans from Saskatchewan and Montreal who had come to see their hometown teams face each other in the big game.

Not to be outdone, the recently re-launched AMP Radio hosted four simultaneous parties in different parts of the city the night before the Grey Cup. As the main presenters, AMP's street team, known as "the A team" had a major presence at the events. AMP has built a strong following in Calgary just a short while after being re-launched in June 2009. The station was previously CFUL Calgary and was subsequently re-branded as AMP and reformatted to play contemporary hits. During this period, AMP has built a solid reputation as a station that plays the hottest new hits in the city.

Charity

Alberta's FOX Radio Group was the sole corporate partner in an Edson Anti-Bullying initiative in 2009/2010. The "Radio-Active" portion of the program challenged students to come up with the most creative Anti-Bullying radio public service announcements. The "Edson Striving to be Bully Free" campaign has been a great success to date with the number of serious bullying incidents decreasing. The Town of Edson Family Community Support Services representative said "The FOX involvement has been critical in the success of this initiative. They have been on-board from day one and supported us on many levels. We appreciate their support in this community wide partnership." The FOX Radio Group is known for their support of youth in the community.

FOCUS ON CENTRAL REGION: SUDBURY

A NEW SOUND IN THE BIG NICKEL

On August 25th we launched Hot 93.5, a new Top 40 FM station in Sudbury.

In order to kick off the occasion, Hot held a launch party at Dynamic Earth, site of the Big Nickel, the iconic Sudbury landmark. The new team at Hot invited members of the community and local businesses to grow better acquainted with the station.

Hot 93.5 joins Newcap sister station Big Daddy Radio, CHNO-FM, a classic hits station with a loyal following. The new station was acquired when the Company exchanged its KIXX 780 AM licence in Halifax for CIGM-AM in Sudbury, and $5 million. The Company received CRTC approval to convert the Sudbury station to FM and Hot 93.5 was born. The new Top 40 station has been met with a positive response from both listeners and advertisers in the Sudbury area.

The new FM in Sudbury is a perfect fit for Newcap's acquisition criteria, which is to integrate new assets into our existing operating platform, to generate immediate growth and long-term value. Hot 93.5 FM is ideal for this, since the Sudbury market, with over 156,000 people, is a mid-sized market with strong growth potential.

Charity
In 2009, stations from Newcap's Central Region (Sudbury, Ottawa and Winnipeg) donated nearly $1.5 million to local charities through promotional airtime, volunteer time, and public service announcements.

FOCUS ON EASTERN REGION: CHARLOTTETOWN

CANADA COMES TO CHARLOTTETOWN

Newcap was a national gold sponsor for the 2009 Canada Summer Games, which was held all across Prince Edward Island. The games ran from August 15 to 29 and consisted of 4,445 participants, bolstered by the help of 6,006 volunteers.

Newcap sponsored the Baseball event, and the turnout was strong as families, friends, and fans filled the stands to cheer their home provinces to gold.

In addition to sponsoring the games, Newcap was once again at the centre of the action, as personalities and promotional teams from Charlottetown FM stations K-Rock and Ocean 100 came out in full force; with K-Rock broadcasting live on location, and giving away tons of K-Rock and Ocean 100 prizes for the people in the bleachers during the gold medal game. David Murray, Chief Operating Officer, was on hand to present the Gold Medals to the 2009 Canada Games Baseball Champions—Team Quebec, who defeated Alberta in the finals. Ontario finished with the Bronze medal.

With stations in seven of Canada's ten provinces, it was a tremendous honour for Newcap to play a role in the games and partake in a celebration of Canadian sport that touches the lives of people from coast to coast.

Charity

In 2009, Newcap teamed up with people of Newfoundland and Labrador to help over 325 charities through fundraising and donations. Charity in Newfoundland and Labrador went above and beyond all expectations this year, as Newcap stations were able to make charitable donations totaling over $2.2 million.

The VOCM Cares Foundation raises funds for causes involving the health, education and safety of the community. The organization has grown to become the focal point for Newcap's community involvement in Newfoundland and Labrador. This past year, the VOCM Cares Foundation granted almost $600,000 to 127 charities. As well, the VOCM Network provided $189,000 in radio promotional ad value for numerous charities province-wide.

The K-Rock Children's Trust Fund was founded to assist families facing financial hardship due to the illness of a child. Aid is provided to sick children by purchasing medications and medical supplies as well as accommodation, meals and travel costs. In 2009, the K-Rock Children's Trust Fund granted 126 funding requests totaling almost $60,000. K-Rock also provided $110,00 in radio promotional advertising value to charities province-wide.

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"The Company re-aligned its focus to concentrate on two short-term goals during 2009: growing existing operations and reducing debt."

MANAGEMENT'S DISCUSSION & ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A"), dated February 12, 2010, is to provide readers with additional information regarding Newfoundland Capital Corporation Limited's financial condition and results of operations and should be read in conjunction with the annual audited consolidated financial statements, prepared as of February 12, 2010, and related notes contained in this 2009 Annual Report.

These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 22, 2010 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. The Company's news releases are also available on the Company's website at www.ncc.ca.

All amounts herein are expressed in Canadian dollars. Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in fiscal 2009.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", and other similar terminology relate to, but are not limited to, our objectives, goals, plans, strategies, intentions, outlook and estimates. By their very nature, these statements involve inherent risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. The Company has outlined in this MD&A a section entitled "Risks and Opportunities" that discusses possible events or conditions that are beyond management's control and that could affect future results; these include topics surrounding the economy, the regulatory environment, the dependency on advertising revenues, competition, technological developments and potential contingencies. Readers are cautioned not to place undue reliance on these statements. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PROFILE

Newfoundland Capital Corporation Limited ("the Company") is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 59 FM and 20 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the Internet, allowing listeners the flexibility to tune in to our stations at any time from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

2009 SIGNIFICANT HIGHLIGHTS

- Consolidated revenue increased 2% despite the economic climate; all driven by local advertising revenue within the broadcasting segment.
- 162% increase in consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA")[(1)]. 2008 results included significant realized and unrealized investment losses aggregating $9.4 million which negatively impacted last year's EBITDA.
- Net income is more than four times better than last year. The 2008 investment losses and a $1.3 million goodwill impairment loss negatively impacted net income for the prior year while this year's gain on disposal of a broadcasting licence of $5.6 million contributed to the increased 2009 net income.
- In November 2009, the Company split its stock on a three-for-one basis.
- Consistent with the last several years, dividends totaling $0.10 per share were declared on Class A Subordinate Voting Shares and Class B Common Shares.
- $18.6 million of bank debt was repaid, reducing the debt to EBITDA ratio to 2.7 to 1.0 from 3.9 to 1.0 at the end of last year.
- An exchange of broadcast assets was completed in which the Company exchanged its AM licence in Halifax, Nova Scotia for an AM licence in Sudbury, Ontario and $5.0 million cash. The Sudbury station was converted to FM and launched as Hot 93.5 playing Top 40 / Pop music.
- Broadcasting assets in Thunder Bay, Ontario were sold in December 2009 for proceeds of $4.5 million, plus working capital.
- The December 2009 listener ratings results were among the best the Company has ever achieved. The Company ranked #1 in many of its surveyed markets.

[(1)] Refer to page 33 for the reconciliation of EBITDA to net income

OUR INDUSTRY

The broadcasting industry is regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC"). The CRTC is the agency responsible for determining whether a new licence should be granted, to whom, and whether the licence carries any conditions that must be adhered to by the broadcaster. Licences generally have seven year terms at the end of which, applications are made to renew the licences for an additional seven year term.

The regulatory environment is such that, depending on the size of a particular market, a broadcaster is subject to a maximum number of AM or FM licences. This serves to limit the number of competitors that can participate in a market, but it also limits the broadcaster's ability to increase its total number of licences in any given locale.

AUDIENCE SHARE AND RATINGS

Advertising revenue is largely dependent on a station's market share and therefore, it is a critical success factor to capture as many listeners as possible to maximize revenue. The agency primarily responsible for measuring stations' market share is the Bureau of Broadcast Measurement ("BBM").

In Canada's largest markets, the method of audience measurement is changing to the Portable People Meters method ("the meter method"). The meter method is considered a more accurate technique to capture listener share since individuals carry around pager-like devices on their person which automatically detect listening habits at any given time during the day. The traditional diary method relies on paper diaries that individuals fill out manually based on their recollected radio listening habits. For the Company, two of its largest surveyed markets have begun to be measured using the meter method – Edmonton and Calgary, Alberta. This method was being phased in, together with the continued use of the diary method, in 2009; however in Calgary and Edmonton, the meter method will be the only source of ratings results in 2010. This is positive for the Company since the new method produced more favourable results than the diary method for the Company in both these markets. The meter method will be rolled out in Ottawa, Ontario in 2011.

The major markets that are not yet subject to the meter method are surveyed by the diary method three times per year. Smaller markets are surveyed with diaries semi-annually or annually and some are not rated at all. National advertisers use survey results to book airtime on the top market performers.

THE COMPANY'S STRATEGY IN 2009, 2010 AND BEYOND

Growth and shareholder value are the cornerstones of every strategic, operating and financial decision made by management.

2009

In response to the uncertainty within the Canadian economy which began in the latter half of 2008, management focused on short-term goals: growth of existing operations and reducing debt. Acquisition opportunities that fit the Company's growth strategy continued to be explored; however, management decided that it would not proceed with transactions, projects or activities that were not cash-accretive in the near-term; that posed unnecessary risks; or resulted in increasing debt to a level beyond management's tolerance.

Growth of Existing Operations

Revenue and EBITDA increased in 2009 despite the economic circumstances. This is quite an achievement considering the broadcasting industry was plagued by negative revenue growth throughout 2009. The Company's talented employees led the way for success in 2009 and here are just some of their achievements:

- Advertising revenue increased 2% while industry revenue was negative 9% in 2009. This performance was a result of expanding the sales force, intensive training and an increase in sales activity.
- A cost-reduction plan was developed and it was specifically targeted to reduce costs in a manner that would not impact the ability to generate revenue or quality of programming. Managers across the country delivered on this plan resulting in expenses ending well under budget for the year which improved EBITDA.
- The Company achieved strong ratings results in December 2009; this is attributed to the hard working employees in programming, on-air talent, creative and news departments, and positions the Company for a rewarding year in 2010.

The Company has always believed that one of its key success factors was the connection it has forged over the years with the local communities it serves. All of the Company's revenue growth came from local advertising in 2009. In 2009 it became clearer than ever that these local ties were, and are, critical to the Company's success. The Company continued to be actively involved in and supportive of local, charitable, community-based activities and fundraising initiatives contributing over $11 million, cash and in-kind, in 2009.

Reducing Debt

Bank debt was reduced by $18.6 million in 2009 bringing the Company's key debt ratio, debt to EBITDA, down to 2.7 to 1, from 3.9 to 1 a year ago. The balance sheet is strengthened as a result which positions the Company positively for future growth.

2010 and Beyond

In 2010 and beyond, the Company intends to continue to grow existing operations, to increase its number of licences and to explore all new acquisition opportunities that present themselves. It is management's goal to be the largest radio licence holder in Canada. Some of the more specific goals for the Company in 2010 and beyond are:

- Grow existing operations to maximize revenue, continue to control costs to increase EBITDA margins, and improve programming to bolster market share.
- Launch the repeater stations in Prince Edward Island which will allow the Company to reach an expanded audience.
- Launch the recently-awarded AM to FM conversions in Alberta and Newfoundland and Labrador. Previous conversions have resulted in considerable revenue gains.
- Apply to the CRTC for new licences in markets that fit the Company's growth strategy, and continue to apply for AM to FM conversions. These initiatives not only allow the Company to improve financial results; but also to increase the number of licences in its portfolio.
- Make business acquisitions that are cash-accretive in the near-term and that fit the Company's overall operating strategy.
- Remain committed to the communities served by the Company's radio stations by continuously being involved with charitable activities and other community-sponsored events.
- Finally and most importantly, retain and attract strong broadcasting professionals.

CORPORATE DEVELOPMENTS

These are the significant corporate developments and should be considered when reviewing the "Financial Performance Review" section. The results of the acquired or launched stations have been included in the consolidated financial statements since the respective acquisition and launch dates.

2009 Developments:

- **January 2009** – Launched new FM station in Pincher Creek, Alberta, playing country music.
- **January 2009** – Received CRTC approval for four new FM repeater licences. These will allow the Company to broadcast the two FM stations in Charlottetown, Prince Edward Island to two new communities in the same province. These are expected to be on-air in the first quarter of 2010.
- **April 2009** – CRTC approved two AM to FM conversions for stations in St. Paul and High Prairie, Alberta. These are expected to be launched sometime in summer 2010.
- **June 2009** – CRTC approved the Company's applications to convert AM stations to FM in Wabush and Goose Bay, Newfoundland and Labrador. Anticipated on-air dates are late spring 2010.
- **June 2009** – Re-launched CFUL in Calgary, Alberta as a contemporary hits radio format, branded as AMP Radio. This format is similar to the very popular Ottawa station, Hot 89.9, which was named the 2008 contemporary hits radio station of the year.
- **July 2009** – Completed the previously announced exchange of assets with Rogers Broadcasting Limited. The Company's Halifax AM licence was exchanged for Rogers' AM licence in Sudbury, Ontario plus $5.0 million.
- **August 2009** – Launched Hot 93.5, the newly acquired Sudbury, Ontario radio station which was converted to FM. Its format is Top 40 and has been met with a very positive response from both listeners and clients.
- **August 2009** – Launched the converted FM radio station in Athabasca, Alberta, 94.1 FM The River, playing classic hits.
- **November 2009** – The Company's stock was split on a three-for-one basis.
- **December 2009** – Completed the previously announced sale of the broadcasting assets related to the two FM stations in Thunder Bay, Ontario for $4.5 million plus working capital.

2008 Developments:

- **January 2008** – Launched an FM station in Carbonear, Newfoundland and Labrador, playing country music.
- **March 2008** – Re-launched two stations in Alberta; CIQX-FM in Calgary as XL103-FM, and CKRA-FM in Edmonton as Capital-FM. Both stations featured prominently in the December 2009 PPM ratings results.
- **June 2008** – Launched new FM stations in Fort McMurray, Alberta, and in Kentville and Sydney, Nova Scotia. All three stations have exceeded management's expectations.
- **July 2008** – Completed the purchase of the remaining 50% interest in Metro Radio Group Inc. for $8.5 million. Metro Radio Group Inc. operates CKUL-FM in Halifax, Nova Scotia.

FINANCIAL PERFORMANCE REVIEW

Selected Financial Highlights

Growth in assets between 2007 and 2009 was due largely to new licences and acquisitions and revenue growth was attributed to a combination of organic and incremental increases. These are some of the other significant factors that affected annual results between 2007 and 2009:

- **2007** – The Company recognized an aggregate gain of $14.6 million on the disposal of the Halterm Income Fund Trust Units and the sale of an equity accounted investment in Larche Communications (Kitchener) Inc.
- **2008** – The Company recorded a total of $9.4 million in losses related to the Company's marketable securities of which $7.9 million was unrealized. A goodwill impairment loss of $1.3 million also negatively impacted net income.
- **2009** – The Company recorded a $5.6 million gain on disposal of a broadcasting licence.

During 2009, the Company was required to adopt new accounting standards which resulted in a change in how the Company recognizes expenditures related to start-up operations (refer to the section entitled "New Accounting Policies" for further clarification). Comparative figures were restated as a result and net income was reduced by $0.4 million in 2007 and $0.3 million in 2008. Comparative total assets were also reduced by $2.5 million in 2007 and $2.8 million in 2008.

Due to the disposal of broadcasting assets in Thunder Bay, Ontario on December 30, 2009, the financial results of operations from this component and its gain on disposal have been treated as discontinued operations. The impact of discontinued operations was to reduce revenue by $2.4 million in 2007 and 2008 and by $2.2 million in 2009, and to reduce net income by less than $0.1 million in 2007, $0.1 million in 2008 and by $0.4 million in 2009.

SELECTED FINANCIAL HIGHLIGHTS

(thousands of dollars, except share data)		2009	(restated) 2008	(restated) 2007
Revenue	$	**105,298**	103,382	96,444
Net income (loss) from continuing operations		**14,934**	(4,753)	19,909
Net income (loss)		**15,366**	(4,645)	19,920
Weighted average number of outstanding shares*				
– basic (thousands)		**32,972**	33,048	33,282
– diluted (thousands)		**34,074**	34,009	34,380
Earnings per share*				
Net income (loss) from continuing operations				
– basic		**0.45**	(0.14)	0.60
– diluted		**0.44**	(0.14)	0.58
Net income (loss)				
– basic		**0.47**	(0.14)	0.60
– diluted		**0.45**	(0.14)	0.58
Total assets	$	**232,853**	235,776	228,812
Long-term debt (classified as current in 2009)		**57,100**	73,840	61,005
Dividends declared*				
Class A Subordinate Voting Shares	$	**0.10**	0.10	0.10
Class B Common Shares		**0.10**	0.10	0.10

*Effective on November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares, and per share amounts have been retroactively adjusted to reflect the three-for-one split.

Consolidated Financial Results of Operations

Despite the economic climate, the Company's consolidated financial results of operations were better than 2008 and industry-wide performance.

	3 months			12 months		
(thousands of dollars, except per share data and percentages)	2009	(restated) 2008	% change	2009	(restated) 2008	% change
Revenue	**$ 30,458**	29,306	4%	**$ 105,298**	103,382	2%
Other income (expense)	**(273)**	(6,749)	96%	**2,809**	(8,516)	—
Total revenue and other income	**30,185**	22,557	34%	**108,107**	94,866	14%
Operating expenses	**20,324**	22,062	(8%)	**84,247**	85,765	(2%)
EBITDA	**9,861**	495	—	**23,860**	9,101	162%
Depreciation and amortization	**1,019**	1,070	(5%)	**3,795**	3,549	7%
Interest expense	**1,520**	1,098	38%	**4,374**	4,019	9%
Accretion	**202**	274	(26%)	**867**	1,022	(15%)
Goodwill impairment loss	**—**	—	—	**—**	1,334	—
	7,120	(1,947)	—	**14,824**	(823)	—
Gain on disposal of broadcasting licence	**—**	—	—	**5,616**	—	—
Earnings (loss) from continuing operations	**7,120**	(1,947)	—	**20,440**	(823)	—
Provision for income taxes	**1,996**	1,930	3%	**5,506**	3,930	40%
Net income (loss) from continuing operations	**5,124**	(3,877)	—	**14,934**	(4,753)	—
Net income from discontinued operations	**337**	81	316%	**432**	108	300%
Net income (loss)	**5,461**	(3,796)	—	**15,366**	(4,645)	—
EPS* – continuing operations						
– basic	**$ 0.16**	(0.12)	—	**$ 0.45**	(0.14)	—
– diluted	**0.15**	(0.12)	—	**0.44**	(0.14)	—
EPS* – basic	**$ 0.17**	(0.12)	—	**$ 0.47**	(0.14)	—
– diluted	**0.16**	(0.12)	—	**0.45**	(0.14)	—

*EPS – Earnings per share have been retroactively adjusted to reflect the aforementioned three-for-one stock split.

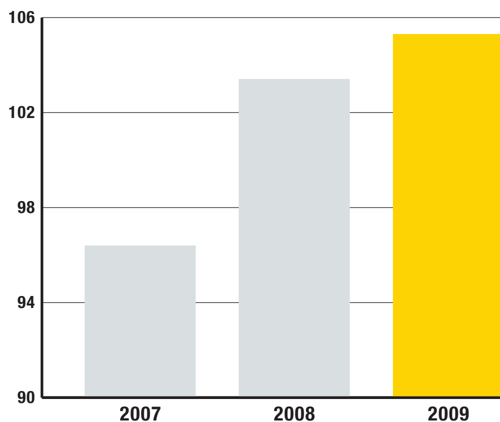
ANALYSIS OF CONSOLIDATED RESULTS

A thorough analysis of the variations in revenue, other income, operating expenses and EBITDA are included in the section entitled "Financial Review by Segment."

Revenue

Consolidated revenue of $30.5 million in the fourth quarter improved by 4% or $1.2 million and for the year ended December 31, 2009, consolidated revenue of $105.3 million was 2% or $1.9 million higher than 2008. This improvement came exclusively from the broadcasting segment.

CONSOLIDATED REVENUE (MILLIONS OF $)



Other Income (Expense)

Other expense was $0.3 million in the quarter, $6.5 million better than the same period last year while year-to-date other income of $2.8 million was $11.3 million higher than the prior year. In 2008, stock prices in the general Canadian trading market experienced declines. This resulted in the recognition of significant unrealized losses last year—$4.6 million in the fourth quarter and $7.9 million year-to-date. Realized losses due to the divestiture of marketable securities in 2008 were $2.5 million in the quarter and $1.5 million for the year.

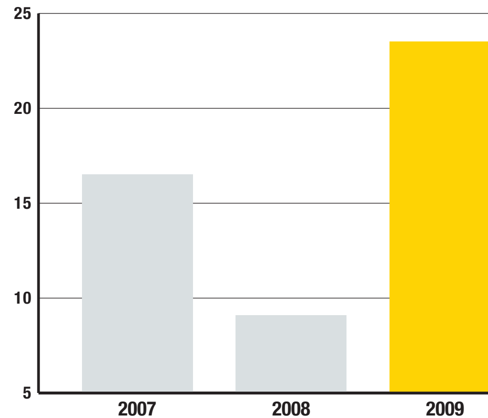
Operating Expenses

Consolidated operating expenses for the fourth quarter were $20.3 million, 8% or $1.7 million lower than 2008 while for the year ended December 31, 2009, they were $84.2 million, 2% or $1.5 million lower. CRTC Part II Licence fees that had been accrued since September 2006 were reversed in the fourth quarter as a result of a court decision more fully explained under the "Financial Review by Segment" section.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

Fourth quarter consolidated EBITDA was $9.9 million and $23.9 million year-to-date. These consolidated EBITDA results were significantly higher than their respective comparative periods largely due to the aforementioned realized and unrealized investment losses recognized in 2008. The CRTC Part II fees' reversal of $2.0 million and higher revenue resulted in improved EBITDA in 2009.

CONSOLIDATED EBITDA (MILLIONS OF $)



Depreciation and Amortization

Depreciation and amortization expense was $1.0 million in the quarter, slightly lower than 2008, while year-to-date depreciation and amortization of $3.8 million was 7% higher than last year. These variations were not significant overall but varied depending on the asset base and timing of capital expenditures.

Interest Expense

Interest expense in the quarter was $1.5 million and year-to-date interest was $4.4 million; both $0.4 million higher than the same periods last year. In the fourth quarter, the Company de-designated a portion of one of its interest rate swaps which resulted in the recognition of interest expense of almost $0.6 million. Excluding the de-designation adjustment, interest expense would have been lower than 2008 due to the lower average debt level throughout 2009.

Accretion of Other Liabilities

Accretion of other liabilities arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. The expense in the quarter of $0.2 million and $0.9 million year-to-date was $0.1 million and $0.2 million lower than the respective periods last year as a result of the expense being higher in the initial years of payment.

Goodwill Impairment Loss

As a result of conducting the 2008 annual goodwill impairment analysis, the value for goodwill that arose on the 2005 and 2006 business acquisitions in Winnipeg, Manitoba could not be supported and therefore, a goodwill impairment loss of $1.3 million was recorded in 2008. No impairment loss was recorded in 2009.

Gain on Disposal of Broadcasting Licence

In July 2009, upon the completion of the radio asset exchange with Rogers, the Company disposed of its AM licence in Halifax, Nova Scotia and recorded a gain of $5.6 million.

Provision for Income Taxes

The provision for income taxes is higher than 2008 due to improved pre-tax earnings. The effective income tax rate was 27% which is lower than the statutory rate of 35% primarily due to the non-taxable portion of realized and unrealized capital gains and losses as well as a lower statutory rate for the Company's wholly-owned subsidiaries.

Discontinued Operations

The Company disposed of its net assets associated with the two FM radio stations located in Thunder Bay, Ontario and therefore, the financial results of operations from this component and the gain on its disposal were treated as discontinued operations in the consolidated statements of income.

Net Income (Loss)

Fourth quarter net income of $5.5 million and $15.4 million for the year was significantly higher than the same periods last year. The primary reasons for these positive variances were the realized and unrealized investment losses and the goodwill impairment loss recorded in 2008 while in 2009 there was a gain on disposal of a broadcasting licence and investment income from the marketable securities was $2.8 million.

Other Comprehensive Income ("OCI")

OCI consists of the net change in the fair value of the Company's cash flow hedges. These include interest rate swaps and an equity total return swap. The after-tax unrealized income recorded in OCI for the interest rate swaps was $0.8 million in the fourth quarter and $2.8 million year-to-date (2008 – $3.6 million after-tax expense in the quarter and $4.6 million after-tax expense year-to-date). The after-tax unrealized loss related to the equity total return swap was $0.3 million for the quarter (2008 – $0.1 million). Year-to-date, the unrealized after-tax gain was $0.1 million (2008 – $0.3 million after-tax loss).

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operation of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue and segment EBITDA and operating income because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see Note 17 of the Company's annual audited consolidated financial statements.

Broadcasting Segment

The broadcasting segment derives its revenue from the sale of broadcast advertising from its licences across the country. Advertising revenue can vary based on market and economic conditions, the audience share of a radio station, the quality of programming and the effectiveness of a company's team of sales professionals.

Reporting units within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. Here are the key operating results of the broadcasting segment.

BROADCASTING SEGMENT

(thousands of dollars, except percentages)	2009	(restated) 2008	% change
		3 months	
Revenue	**$ 29,670**	28,396	4%
Operating expenses	**17,756**	19,501	(9%)
EBITDA	**11,914**	8,895	34%
EBITDA margin	**40%**	31%	9%
		12 months	
Revenue	**$ 101,763**	99,811	2%
Operating expenses	**73,951**	74,909	(1%)
EBITDA	**27,812**	24,902	12%
EBITDA margin	**27%**	25%	2%

Revenue

Fourth quarter revenue was $29.7 million, 4% or $1.3 million higher than the same quarter last year. For the year ended December 31, 2009, revenue of $101.8 million improved by 2% or $2.0 million compared to 2008. Almost the entire growth in the quarter and year-to-date was driven by organic (same-station) revenue.

The Atlantic Canada radio properties led the way in revenue growth for the Company, achieving an increase of 10% in the quarter and 11% year-to-date. A softening in revenue impacted the stations in Central Canada and in Alberta throughout 2009; however, the Central Canadian properties generated 4% organic growth in the fourth quarter which is encouraging going into 2010. Although the Central and Alberta properties experienced a decline in year-over-year revenue, they outperformed the industry in their respective markets. For the month of January 2010, the Calgary and Edmonton, Alberta and Ottawa, Ontario markets exceeded the industry growth rate by a significant margin.

During 2009 national advertising was slower than usual and ad commitments booked by agencies were generally for shorter periods of time than normal. For the Company, national advertising revenue was slightly lower than 2008; however, local advertising made up for the national ad shortfall and enabled the Company to achieve positive growth in 2009.

Overall, the industry's average growth rate in 2009 was negative 9%; the Company posted positive growth of 2% year-over-year. Revenue bookings in 2010 have been very strong to-date. Management anticipates that it will be able to continue generating positive growth in 2010.

Operating Expenses

Broadcasting operating expenses for the quarter were $17.8 million, 9% or $1.7 million lower than 2008 while year-to-date operating expenses of $74.0 million were also lower than last year by 1% or $1.0 million.

As previously mentioned, the Company restated certain comparative figures as a result of adopting a new accounting policy on how to account for pre-operating costs. In the past, these types of costs were capitalized and amortized over a period of five to seven years. Now, these costs are expensed as incurred. The impact of the restatement was to increase the 2008 operating expenses by $1.0 million year-to-date; the fourth quarter impact was nominal. Similar costs were not as significant in 2009 as the Company launched fewer new stations.

Over the past number of years the Canadian Association of Broadcasters (on behalf of all radio broadcasters) has been disputing the amount of Part II fees charged by the CRTC. During these years there were court filings, appeals and in 2009, a final settlement was reached. The Company adjusted its operating expenses related to these fees based on court decisions at each stage of the dispute. The impact on broadcasting operating expenses over the past three years was as follows:

- 2007 operating expenses were reduced by $0.6 million;
- 2008 operating expenses were increased by $1.3 million; and
- 2009 operating expenses were reduced by $2.0 million.

Please refer to the heading "Regulatory Environment – CRTC Parl II Fees" in the "Risks and Opportunities" section of the MD&A for detailed information on the history and resolution of the Part II fees.

Excluding the impact of CRTC Part II fees, prior period restatements and other one-time expenditures, operating expenses in the quarter and year-to-date would have been less than 1% higher than last year. The small increases in the 2009 operating expenses were primarily because of higher variable costs due to higher revenue.

EBITDA

Fourth quarter broadcasting EBITDA of $11.9 million was 34% or $3.0 million higher than 2008. Year-to-date EBITDA of $27.8 million was 12% or $2.9 million better than last year.

Excluding the impact of CRTC Part II fees, prior period restatements and other one-time items, EBITDA would have been $1.2 million or 14% better than the fourth quarter last year and $0.8 million or 3% better on a year-to-date basis. The improved EBITDA was attributable to revenue growth in the quarter and in the year.

Corporate and Other Segment

The Corporate and Other segment derives its revenue from hotel operations. Corporate and Other also includes other income and expenses attributed to head office functions and investment income from the Company's portfolio of marketable securities; the results of which are impacted by the economic and related market conditions.

CORPORATE AND OTHER SEGMENT

(thousands of dollars, except percentages)	2009	(restated) 2008	% change
	3 months		
Revenue	**$ 788**	910	(13%)
Operating income (expense)	**(273)**	(6,749)	96%
Total revenue and Other income (expense)	**515**	(5,839)	109%
Operating expenses	**2,568**	2,561	—
EBITDA	**(2,053)**	(8,400)	76%
	12 months		
Revenue	**$ 3,535**	3,571	(1%)
Operating income (expense)	**2,809**	(8,516)	133%
Total revenue and Other income (expense)	**6,344**	(4,945)	228%
Operating expenses	**10,296**	10,856	(5%)
EBITDA	**(3,952)**	(15,801)	75%

Revenue

Corporate and Other revenue decreased by $0.1 million or 13% in the fourth quarter and by less than $0.1 million or 1% year-to-date; this was due to decreased hotel revenue.

Other Income (Expense)

Other income (expense) relates to investment income and consists of realized and unrealized gains and losses related to the Company's investment portfolio of marketable securities, interest, dividends and distributions from investments. In 2008, stock prices in the Canadian trading market experienced significant declines. As a result, the value of the Company's marketable securities decreased significantly and unrealized losses of $4.6 million were recognized in the fourth quarter and $7.9 million year-to-date in 2008. Realized losses due to the divestiture of marketable securities totalled $2.5 million in the quarter and $1.5 million for the year in 2008.

During 2009, the Company's marketable securities partially recovered in value. The Company also disposed of certain of the investments it held in its portfolio of marketable securities and the prior year unrealized losses related to these investments were reversed. As a result of the disposals, the Company triggered losses of $5.1 million in the quarter and $5.3 million year-to-date.

Operating Expenses

Operating expenses of $2.6 million were just slightly higher than the fourth quarter last year; however, year-to-date operating expenses of $10.3 million were 5% or $0.6 million lower than 2008. This decrease was a result of a targeted plan to reduce discretionary costs throughout the year.

EBITDA

Fourth quarter and year-to-date EBITDA were much higher than the same periods last year primarily due to the declines in value of the Company's portfolio of marketable securities in 2008.

SELECTED QUARTERLY FINANCIAL INFORMATION

(unaudited except totals)

The Company's revenue and operating results vary, depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is lower. The fourth quarter tends to be a period of higher retail spending. In 2009, a gain on the disposal of a broadcasting licence positively impacted net income by $5.6 million in the second quarter. In 2008, the unrealized changes in the value of marketable securities affected net income in the quarters as follows: positive variances of $0.7 million in the first quarter and $4.8 million in the second quarter and negative fluctuations of $8.8 million and $4.6 million in the third and fourth quarters, respectively.

The 2008 comparative figures were restated to include pre-operating costs that were previously capitalized and amortized as more fully described in Note 2 (a) of the Company's audited consolidated financial statements. The earnings per share information was restated to reflect the three-for-one stock split. Discontinued operations, as described in Note 5 of the Company's audited consolidated financial statements, also impacted the figures presented below.

(thousands of dollars, except share data)	Quarter				
2009	**1st**	**2nd**	**3rd**	**4th**	**Year**
Revenue	**$ 22,660**	**26,772**	**25,408**	**30,458**	**105,298**
Net income	**552**	**3,144**	**6,209**	**5,461**	**15,366**
Earnings per share					
– basic	**0.02**	**0.10**	**0.19**	**0.17**	**0.47**
– diluted	**0.02**	**0.09**	**0.18**	**0.16**	**0.45**
2008 (restated)					
Revenue	$ 21,209	26,798	26,069	29,306	103,382
Net income (loss)	574	6,157	(7,580)	(3,796)	(4,645)
Earnings per share					
– basic	0.02	0.19	(0.23)	(0.12)	(0.14)
– diluted	0.02	0.18	(0.23)	(0.12)	(0.14)

CASH FLOWS

The following table depicts the major sources of cash inflows and outflows in 2009 and 2008.

Cash Inflows (thousands of dollars)		2009	(restated) 2008
Funds generated from continuing operations	$	**18,605**	11,709
Change in working capital		**(646)**	1,869
Discontinued operations		**383**	207
Cash generated from operating activities		**18,342**	13,785
Bank and debt borrowings		**—**	13,726
Proceeds from disposal of broadcasting licence		**9,753**	—
Total inflows	$	**28,095**	27,511

Cash Outflows (thousands of dollars)		2009	(restated) 2008
Acquisition of businesses and licences	$	**—**	(8,500)
Bank debt repayments		**(18,649)**	(23)
Property and equipment additions		**(3,961)**	(5,591)
Dividends paid		**—**	(4,962)
Canadian Content Development commitment payments		**(4,973)**	(3,944)
Repurchase of capital stock		**—**	(1,805)
Other		**(512)**	(2,686)
Total outflows	$	**(28,095)**	(27,511)

Cash Flows – 2009

Cash flows from operating activities of $18.3 million along with the proceeds of $9.8 million on the disposal of broadcasting assets were used to repay debt by $18.6 million, to pay CCD commitments of $5.0 million and to purchase property and equipment totaling $4.0 million.

Cash Flows – 2008

Cash flows from operating activities of $13.8 million along with bank debt borrowings of $13.7 million were used to finance a business acquisition for $8.5 million, to purchase property and equipment totaling $5.6 million, to pay $5.0 million of dividends, to make CCD payments aggregating $3.9 million and to repurchase stock for $1.8 million.

Capital Expenditures and Capital Budget

The more significant investments in property and equipment in 2009 were as follows:

- Costs associated with the launch of the new FM station in Sudbury, Ontario;
- Relocation to new premises in Halifax, Nova Scotia; and
- General improvements and upgrades throughout the Company.

The capital expenditures for 2010 are expected to be approximately $6.0 million. The major planned expenditures include launching recently-awarded repeaters and AM to FM conversions as well as general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total Assets

Assets of $232.9 million are $2.9 million lower than last year. This is largely due to the disposal of certain broadcasting assets in 2009. Detailed information on broadcast licence and goodwill activity during 2009 and 2008 is contained in Notes 3 and 4 of the Company's audited consolidated financial statements.

Liabilities and Shareholder's Equity

As at December 31, 2009 the Company had $0.1 million of current bank indebtedness outstanding and $57.1 million of long-term debt which was classified as current because the debt's maturity date is within the next twelve months. (Further information on long-term debt and its accounting reclassification can be found in the paragraph below under the heading "Credit Facility and Covenants"). The Company has also issued standby letters of credit totaling $0.8 million in support of certain long-term liabilities. The capital structure consisted of 45% equity ($103.8 million) and 55% debt ($129.1 million) at year end.

LIQUIDITY

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Management deems its liquidity risk to be low and this is explained in the paragraphs that follow.

Credit Facility and Covenants

The Company's syndicated credit facility of $76.5 million is a revolving credit facility. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. The maturity date is June 2010. As described in the section below, the Company intends to renew this facility prior to the maturity date; however, because expiry is within the next twelve months, the Company's debt is required to be classified as a current liability as at December 31, 2009.

The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include dividend payment restrictions, seeking prior approval for capital expenditures over a certain dollar limit, acquisitions in excess of a quantitative threshold and limits on the number of shares that can be repurchased in any given year. The Company was in compliance with the covenants throughout the year and at year end.

Current Classification of Credit Facility and Future Financing

Cash flow from operations and funds available from the Company's $76.5 million credit facility have been the primary funding sources of working capital, capital expenditures, Canadian Content Development payments, dividend payments, debt repayments, and other contractually required payments through the past several years. As at December 31, 2009, the Company's cash generated from operating activities was $18.3 million and its long-term debt balance was $57.1 million which left $19.4 million available to be drawn upon from the credit facility.

With the Company's revolving credit facility expiring in June 2010, management has held preliminary discussions with its lenders and has developed a timeline for the renegotiation of its credit facilities to ensure the new facilities are in place prior to the expiry of its current credit facilities. While management cannot provide

absolute assurance that new debt will be secured, it has been successful in negotiating credit facility renewals in the past and is confident that it will secure credit facility terms that will be satisfactory to all stakeholders. This facility was originally put in place in 2002 and has been renewed several times since then; however, if this facility is not renewed, the Company will have to seek alternative funding sources in order to repay the debt when it becomes due. Management did not renew the credit facility early in order to delay the increased interest costs which will begin once the facility is renewed. The Company has saved significant funds by not renewing before year end.

The Company is subject to covenants on its current credit facility and was in compliance with all covenants throughout 2009 and expects to be so in future. The Company repaid $18.6 million of bank debt during 2009 and has reduced its debt to EBITDA ratio to 2.7 to 1.0, from 3.9 to 1.0. These factors, along with the Company's ability to generate positive operating cash flows and year over year growth, allow management to reasonably conclude that it will secure funds under a renewed credit facility.

Positive Cash Balances

The Company does not maintain any significant positive cash balances; instead it uses the vast majority of its positive cash balances to reduce debt and minimize interest expense. As a result, the Company nets its deposits in banks with bank indebtedness. The fact that the Company does not have positive cash positions on its balance sheet does not pose an increase to its liquidity risk because the Company generates cash from operations and, as part of its $76.5 million credit facility, it has a $5.0 million current operating credit line to fund any current obligations and it can also access any unused capacity in its credit facility to fund obligations.

Working Capital Requirements

As at December 31, 2009, the Company's working capital balance, excluding the long-term debt classified as a current liability, was $5.2 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line.

Future Cash Requirements

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development ("CCD") payments, dividends and other contractual obligations. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements, with the exception of the lump-sum debt repayment which is expected to be refinanced or replaced by June 2010. The Company's future cash requirements are summarized in a table under the heading "Contractual Obligations".

Based on the above discussion and internal analysis, management deems its liquidity risk to be low.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's significant contractual obligations and commitments as at December 31, 2009 and the future periods in which the obligations become due and payable. Additional details regarding these obligations are provided in the notes to the audited consolidated financial statements, as referenced in the table.

Contractual Obligations

(thousands of dollars)	2010	2011	2012	2013	2014	there-after	**Total**
Long-term debt (NOTE 8)	$ 57,100	—	—	—	—	—	**57,100**
Canadian Content Development commitments (NOTE 14)	2,915	2,734	2,713	1,578	415	294	**10,649**
Operating leases	3,210	2,604	2,287	1,828	1,283	4,483	**15,695**
Pension funding obligation	500	500	500	500	500	5,411	**7,911**
Total contractual obligations	$ 63,725	5,838	5,500	3,906	2,198	10,188	**91,355**

The Company recognizes long-term debt and CCD commitments (when stations are launched) as liabilities on the balance sheet. Operating lease commitments and CCD commitments related to recently-awarded licences are disclosed in Note 19 of the Company's audited consolidated financial statements.

As described in the "Liquidity" section, the Company intends to renew the credit facility upon maturity which would result in no scheduled repayment in 2010.

The Company also has obligations with respect to its employee benefit plans, as discussed in Note 10 of the audited consolidated financial statements. The Supplementary Retirement Pension Arrangements ("SRPAs") provide benefits above and beyond that which can be provided under the Income Tax Act, and therefore are not pre-funded. As a result, the Company's annual funding obligation approximates $0.5 million. There are no similar obligations under the Company's Basic Plan as it is fully funded.

SHARE CAPITAL

Stock Split

Effective on November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares and per share amounts has been retroactively adjusted to reflect the three-for-one split.

Outstanding Share Data

The weighted average number of shares outstanding at December 31, 2009 was 32,972,000 (2008 – 33,048,000). As of this date, there are 29,199,567 Class A Subordinate Voting shares and 3,772,653 Class B Common shares outstanding.

Dividends Declared

For the fifth consecutive year, the Board of Directors declared dividends of $0.10 per share on each of its Class A Subordinate Voting Shares ("Class A shares") and Class B Common Shares. The 2009 $0.10 per share dividend was declared in December to all shareholders of record as of December 31, 2009. The dividends were paid January 29, 2010.

Share Repurchases

The Company did not repurchase for cancellation any of its outstanding shares during 2009. In 2008, pursuant to the Normal Course Issuer Bid, the Company repurchased for cancellation 300,000 of its outstanding Class A shares for a total cost of $1.8 million. As a result of these share repurchases in 2008, capital stock was reduced by $0.4 million and retained earnings by $1.4 million. Subsequent to year end the Company received approval under a Normal Course Issuer Bid to repurchase up to 583,991 Class A shares and 75,453 Class B Common shares. This bid expires February 8, 2011.

EXECUTIVE STOCK-BASED COMPENSATION

Executive Stock Option Plan

The number of Class A shares reserved for issuance pursuant to the executive stock option plan is 3,100,937. The number of Class A shares underlying outstanding options under the executive stock option plan is 2,590,000, of which 2,320,000 are vested, at prices ranging from $2.43 to $7.00. 835,937 options remain available to grant.

During the year, the Company granted 220,000 options (2008 – 105,000) at a weighted average exercise price of $6.52 (2008 – $6.66). The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and they expire between February 24, 2014 and December 14, 2014. No options were exercised in 2009 or 2008. Contributed surplus was increased by $0.2 million (2008 – $0.2 million) related to compensation expense.

Stock Appreciation Rights Plan

A total of 1,745,000 stock appreciation rights ("Rights") have been granted since 2006 at a weighted-average reference price of $5.75. The Rights' expiry dates range from March 2011 to February 2015. As at December 31, 2009, 270,000 Rights had expired and 30,000 Rights had been exercised. The Rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All Rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the year ended December 31, 2009, the compensation expense related to the Rights was $1.5 million (2008 – recovery of $0.7 million) bringing the total obligation to $1.5 million, of which $1.1 million was current (2008 – current obligation of $0.1 million).

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

For more detailed disclosures about the Company's financial instruments and financial risk management, refer to Note 14 of the audited consolidated financial statements.

Interest Rate Risk Management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian chartered banks. The swap agreements expire in 2013 and involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. Interest rate fluctuations would have an impact on the Company's results. A 0.5% change in the floating interest rates would have impacted the Company's consolidated net income by less than $0.1 million for the year ended December 31, 2009. The same rate change would have impacted OCI due to changes in fair value of the interest rate swaps by approximately $0.6 million, after-tax.

The aggregate notional amount of the swap agreements was $60.0 million (2008 – $60.0 million). The aggregate fair value payable of the swap agreements was $3.8 million (2008 – $6.8 million).

As at December 31, 2009, the Company de-designated $10.0 million of the Company's interest rate swap agreements; therefore, hedge accounting no longer applies on the de-designated portion. Of the amount of pre-tax interest transferred to net income from OCI, $0.6 million related to the de-designated portion. After-tax, the unrealized non-cash gain related to the interest rate swaps recognized in OCI was $2.8 million (2008 – unrealized non-cash loss of $4.6 million).

Share Price Volatility Management

In July 2006, the Company entered into an agreement to hedge its obligations under the stock appreciation rights plan using an equity total return swap agreement to reduce the volatility in cash flow and earnings due to possible future increases in the Company's share price. Gains or losses realized on the quarterly settlement dates are recognized in income in the same period as the stock appreciation rights' compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

The estimated fair value of the equity total return swap receivable at December 31, 2009 was $1.5 million (2008 – payable of $0.2 million). As at December 31, 2009, the Company de-designated 300,000 of the notional Class A shares; therefore, hedge accounting no longer applies on the de-designated portion. Of the before-tax gains transferred from OCI to net income, $0.4 million related to the de-designated portion. After-tax the unrealized non-cash gain recognized in OCI for the year was $0.1 million (2008 – unrealized non-cash loss of $0.3 million).

Market Risk Management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at December 31, 2009, a 10% change in the share prices of each marketable security would result in a $0.4 million after-tax change in net income.

Credit Risk Management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totalled $1.1 million as at December 31, 2009. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 89% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. In 2009, $1.1 million was written off which is less than 5% of the year end receivables' balance and less than 1% of revenue.

During 2009 and as at December 31, 2009, the Company's credit exposure related to its receivables was slightly higher than in the past reporting periods due to the recent Canadian economic conditions. The Company sells advertising airtime primarily to retail customers and since their results may also be affected by the current economy, it is difficult to predict the impact this could have on the Company's receivables' balance. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Capital Management

The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that that it can continue to provide adequate returns for shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares. The Directors and senior management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Material transactions and those considered to be outside the ordinary course of business, such as acquisitions and other major investments or disposals, are reviewed and approved by the Board of Directors.

NEW ACCOUNTING POLICIES

The Company prepares its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company's accounting policies remained unchanged in 2009, except for the adoption of new accounting policies as described in Note 2 (a) of the audited consolidated financial statements. Effective January 1, 2009, the Company adopted the recommendations of the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 3064 – *Goodwill and Intangible Assets,* EIC – 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* and Section 3862 – *Financial Instruments – Disclosures*.

Section 3064 – Goodwill and Intangible Assets

This Section establishes the standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this Section resulted in a change in how the Company accounts for its pre-operating costs related to new station launches. Prior to adopting this policy, the Company capitalized pre-operating costs and amortized them over the initial term of the related broadcast licences. Capitalization of these costs is no longer permitted and therefore will be recorded in net income as incurred.

The 2008 opening retained earnings were reduced by $1.8 million which represented the after-tax adjustments relating to periods prior to January 1, 2008.

For pre-operating balances that existed on January 1, 2009, they were accounted for retrospectively with restatement of comparative figures in accordance with Section 1506 *Accounting Changes.* As a result of adopting this accounting policy, the effects on the comparative consolidated statements of income and balance sheets are presented below:

(thousands of dollars)	2008
Impact on comparative consolidated statements of income	
Operating expenses increased by	$ 963
Amortization expense decreased by	(589)
Provision for income tax expense decreased by	(99)
Net income decreased by	(275)
Basic and diluted earnings per share decreased by	$ (0.01)

(thousands of dollars)	2008
Impact on comparative consolidated balance sheets	
Other assets decreased by	$ (2,858)
Future income tax liabilities decreased by	(824)
Retained earnings reduced by	$ (2,034)

EIC – 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

During 2009, the CICA issued EIC – 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* which requires an entity to consider its own credit risk and that of its counterparty to a financial instrument when determining the fair value of financial assets and liabilities. This applies to the Company's derivative instruments. No opening adjustment was required at the time of adoption; however, the Company has since measured its own credit risk in relation to its interest rate swaps and additional information is contained in Note 14 (b) of the audited consolidated financial statements.

Section 3862 Financial Instruments – Disclosures

In 2009, the CICA amended certain paragraphs in CICA Section 3862 *Financial Instruments – Disclosures* which aligns the standard more closely with IFRS. Specifically, it provides enhanced disclosure requirements around fair value measurement of financial instruments, including the relative reliability of the inputs used in those measurements, and disclosure of liquidity risk. Section 3862 now requires that an entity classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The amended paragraphs were to be applied for fiscal years ending on or after September 30, 2009. The Company adopted these amendments for the year ended December 31, 2009 and the additional required disclosures have been made in Note 14 of the audited consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

The following is a description of accounting policies that will be adopted by the Company in future.

Section 1582 Business Combinations

During 2009, the CICA issued Handbook Section 1582 *Business Combinations* which replaces Section 1581 bearing the same name. This Section is effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted, and the changes align the standard with the guidance in International Financial Reporting Standards ("IFRS"). Of the amendments in the Section, the one that will represent the most significant change in how the Company accounts for business combinations is the determination of the cost of the purchase. The cost that is allocated to the fair value of the net assets acquired is the direct cost of the business combination; indirect costs such as legal or restructuring are expensed. The Company intends to early adopt this standard if any business combinations should occur in 2010. The impact the changes will have on its consolidated results will continue to be monitored.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These Sections were issued and together replace Section 1600 *Consolidated Financial Statements*. These too are applicable for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will continue to evaluate the impact of the amendments.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will apply IFRS beginning January 1, 2011 and will present 2010 comparative figures using IFRS, starting in the first quarter of 2011.

The Company has committed adequate internal resources to oversee the IFRS project and external consultants have been engaged throughout the process. The Audit and Governance Committee is regularly updated on the status of the project. Management has satisfied itself that it has sufficient resources, systems and applications in place to meet its financial reporting requirements.

IFRS – 1 *First-time Adoption of International Financial Reporting Standards* provides guidance for transition which generally requires an entity to apply all IFRS standards retrospectively, with prior period restatements, on adoption of the new standards. However, IFRS – 1 also includes mandatory exceptions and certain exemptions which enable an entity to apply certain areas of the standards prospectively. Management has analyzed the exceptions and exemptions available under IFRS – 1 and is considering applying the exemptions listed in the table below. A brief description of the impact of applying these exemptions is discussed as well.

Exemption	Impact
Business combinations	The Company expects it will elect to not restate any prior business combinations on adoption, to the extent the assets and liabilities meet the recognition criteria under the relevant IFRS standards. (If any business combinations occur during fiscal 2010, the Company will early adopt the new rules under Canadian GAAP Section 1582 *Business Combinations*, described earlier, as they are consistent with IFRS).
Fair value or revaluation as deemed cost	The Company may elect to revalue some of its property and equipment on transition date to its fair value.
Employee benefits	The Company may elect to charge to equity any unamortized actuarial gains/losses arising from the defined benefit pension plans.
Share-based payment transactions	The Company will elect not to retrospectively apply the IFRS – 2 *Share-Based Payments* standards for any executive stock options granted prior to November 2002 and for any options that have fully vested or have been exercised prior to transition date.

Management has identified the differences between Canadian GAAP and IFRS and has devoted considerable time and resources on those areas that will most significantly impact the Company. The following table sets forth the accounting standards that will most likely impact the Company's consolidated financial statements; however, the actual impact has not been fully measured and conclusions may differ as management continues its analysis. Some of the standards are in the process of being reviewed and/or modified and the impact of those changes could pose differences for the Company's consolidated financial statements as well. Management is monitoring these standards closely.

The following list shows the areas that management believes will present the most significant differences in accounting treatment based on the standards in effect as at December 31, 2009. It is not a complete and exhaustive list of all the Canadian GAAP and IFRS differences. Quantification of the impact is ongoing and will be communicated as the transition date nears.

Here are the key accounting areas management believes will impact the Company's consolidated financial statements with a brief description of the likely impact:

Key accounting areas	Impact
IAS – 1 *Presentation of Financial Statements*	Additional financial statement note disclosures will be required.
IAS – 12 *Income Taxes*	Future income tax assets/liabilities will be referred to as deferred income tax assets/liabilities and no current classification will be permitted. The criteria to recognize and measure deferred income taxes may result in differences compared to existing future income tax calculations.
IAS – 16 *Property and Equipment*	Entities are required to split traditional asset categories into components based on varying useful lives which may result in changes to the amount of annual depreciation expense.
IAS – 19 *Employee Benefits*	An accounting policy choice is available for actuarial gains or losses after adoption; ■ an entity may elect to amortize the gains/losses using the corridor approach; ■ it may elect to recognize the gains/losses in net income annually; or ■ it may elect to recognize gains/losses in OCI annually. Under IFRS, there are differences in how defined benefit plan assets are valued and how an entity measures its plan asset valuation allowance, if any. This particular standard is under review by standard setters and any modification to it may dictate the accounting treatment the Company will adopt as it relates to actuarial gains and losses.
IAS – 36 *Impairment of Assets*	Impairment calculations under IFRS are done at the Cash-Generating Unit ("CGU") which is defined as a unit that has independent cash inflows (as opposed to independent net cash flows under Canadian GAAP). Calculations are done using a discounted cash flow method under a one-step approach (as opposed to a two-step approach under Canadian GAAP). Goodwill is allocated and tested in conjunction with its related CGU or group of CGU's that benefit from collective synergies. Any impairment of intangible assets that occurs after the adoption of IFRS, other than goodwill, may be reversed.
IAS – 38 *Intangible Assets*	Potential change in how the Company measures the amount capitalized to its broadcast licences under certain circumstances, which is currently being reviewed and analyzed by management.
IAS – 39 *Financial Instruments: Recognition and Measurement*	This standard will effectively be replaced by new IFRS – 9 *Financial Instruments* effective January 1, 2013 and may pose differences in how the Company classifies, recognizes and measures its financial instruments, including how it accounts for hedges. Earlier adoption may be permitted and the Company will monitor these standards closely.
IFRS – 2 *Share-Based Payments*	The Company anticipates a change in how it measures executive compensation for its stock appreciation rights' plan because of differences related to pricing models, vesting periods and how to account for forfeiture.
IFRS – 3 *Business Combinations*	This standard explicitly excludes acquisition-related and/or restructuring-type costs; these are to be expensed as incurred. Other significant commitments that arise on business combinations are also expensed which potentially may pose differences in how the Company has treated certain items in its past acquisitions and in future transactions. Contingent consideration is measured on the transaction date at its fair value; however subsequent changes to the contingent consideration are treated as an expense.

At this time, management is on track with the conversion project; however it is not in a position to quantify the impact of all of the differences that will arise upon the adoption of IFRS. The Company will be disclosing more detailed information during its 2010 interim periods. Certain analyses that will enable full disclosure are still being researched and their conclusions are important to the Company and its consolidated financial results.

CRITICAL ACCOUNTING ESTIMATES

The financial statements are prepared in conformity with Canadian GAAP and this requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could be different from these estimates.

The following estimates are considered to be those that have the most impact on the Company's financial position, its results of operations and statement of cash flows.

Accounts Receivable

The Company makes a provision for doubtful accounts based on a market-by-market and client-by-client basis to provide for possible uncollectible accounts. A general allowance is also estimated for potential losses that take into consideration external factors such as the economic climate. This requires judgment on the part of local station management and prior collection history.

Property and Equipment

The Company has estimated the useful lives of property and equipment based on past experience and is depreciating these assets over their useful lives. Management assesses these estimates on a periodic basis and makes adjustments when appropriate.

Impairment of Long-Lived Assets

Long-lived assets primarily include property and equipment and other intangible assets. An impairment loss is recognized when the carrying value of an asset exceeds its fair value which is the sum of the undiscounted cash flows expected from its use and eventual disposition. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no provision for impairment is required, management must make certain estimates regarding the Company's profit projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in charging future results with an impairment loss.

Broadcast Licences and Goodwill

The Company performs asset impairment assessments for broadcast licences and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred. The Company has selected August 31 as the date it performs its annual impairment analysis. The assessments used to test for impairment are based on discounted cash flows which are derived from internal Company profit projections that include assumptions about growth rates and other future events. Industry information is used to estimate appropriate discount rates used in the calculation of discounted cash flows.

The fair value of the Company's broadcast licences and goodwill is subject to adverse changes if the Company experiences declines in cash flow, negative industry or economic trends or if future performance does not meet management's expectations. Management continuously monitors each reporting unit's results and external factors; should circumstances arise that indicate a need to test for impairment, management would do so immediately.

Canadian Content Development Commitments

The Company measures its CCD commitments using the amortized cost using the effective interest method. As a result, the Company must use industry information to estimate appropriate discount rates used in the calculation of the discounted estimated future cash payments.

Employee Future Benefit Plans

In valuing its defined benefit pension assets and obligations, the Company uses the projected benefit method pro-rated on services and best estimate assumptions. These assumptions include the discount rate on plan liabilities, the expected long-term rate of return on plan assets and the rate of compensation increase. The Company reviews these estimates annually with its actuaries and compares them to industry practices to ensure estimates are reasonable. Any changes to assumptions could affect the valuation of the Company's defined benefit pension assets and obligations.

Stock-Based Compensation

Note 13 (b) of the audited consolidated financial statements summarizes the assumptions used in computing the fair value of stock-based compensation expense. These assumptions were determined using comparable available market and historical data. The Company believes the assumptions used are reasonable based on currently available information; however, to the extent that the assumptions prove to be different, future results could vary.

Income Taxes

Future income tax assets and liabilities are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to be recovered, settled or reversed. The Company recognizes the benefits of capital and non-capital loss carryforwards as future tax assets when it is more likely than not that the benefits will be realized. To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize future tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2009, there were no off-balance sheet arrangements other than operating leases which are considered in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Inter-company balances and transactions of the Company's subsidiaries are eliminated upon consolidation. Related party transactions during the year were reviewed and there were no material transactions requiring separate disclosure in the notes to the audited consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As part of the Form 52 – 109 certification, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") must certify that they are responsible for designing Disclosure Controls and Procedures ("DC&P") or caused them to be designed under their supervision. The CEO and CFO must also certify that they are responsible for evaluating the operating effectiveness of DC&P and that a conclusion as to the effectiveness and design of DC&P should be provided in the MD&A. DC&P should provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and the CFO by others, to make a determination as to the appropriateness and timing of public disclosure, if any; and
- information required to be disclosed by the Company in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation, is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Company's Disclosure Committee along with management and the CEO and CFO assist with the evaluation of DC&P design and operating effectiveness. Throughout the year, the Disclosure Committee is kept apprised of any material information affecting the Company so that it may discuss and evaluate such information to make a determination as to the appropriateness and timing of public release, if any.

As at December 31, 2009, the CEO and the CFO, based on their evaluation, concluded that DC&P were properly designated and were operating effectively.

Internal Controls over Financial Reporting

As part of the Form 52 – 109 certification, the CEO and the CFO must certify that they are responsible for designing Internal Controls over Financial Reporting ("ICFR"), or caused them to be designed under their supervision, and that they are responsible for evaluating the operating effectiveness of ICFR. ICFR should:

- provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

As at December 31, 2009, the CEO and the CFO, based on their evaluation, concluded that the design of ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Using the framework set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), management, under the supervision of the CEO and CFO, conducted its evaluation of the effectiveness of the Company's ICFR as at December 31, 2009. Based on this evaluation, the CEO and CFO concluded that the Company's ICFR are operating effectively and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Changes in Internal Controls over Financial Reporting

During fiscal 2009, there were no changes in internal controls over financial reporting that are likely to have, or had, a material effect on the Company's internal controls over financial reporting.

RISKS AND OPPORTUNITIES

The Company is subject to a number of risks and uncertainties, the more significant of which are discussed below. Additional risks and uncertainties not presently known to the Company may impact its financial results in the future.

Dependency on Advertising Revenue

The Company's revenue is derived from the sale of advertising airtime directed at retail consumers. This revenue fluctuates depending on the economic conditions of each market and the Canadian economy as a whole. The Company takes steps to mitigate this risk by retaining a degree of geographic and sectoral diversification. In Canada there continues to be some economic uncertainty that could have an impact on the Company's revenue. For the month of January 2010, the industry posted overall revenue growth over 2009; however, it is impossible to predict whether that trend will continue throughout the year.

Other media compete for advertising dollars, such as print, television, yellow pages, outdoor, direct mail, and online services. In many instances, these competitors are targeting the same advertisers as radio broadcasters and advertising dollars often shift between the different media. While there is no assurance that the Company's radio stations will maintain or increase their share of the advertising dollars, the Company does attempt to mitigate any loss to other media by creating long-term relationships with customers and providing innovative, high-quality campaigns.

General Competition

The Company faces competition in some of its markets which impacts the Company's audience, revenue share and the level of promotional spending required to remain competitive. Any changes to the competitive environment could adversely affect the Company's financial results. The Company takes steps to mitigate these risks by constantly modifying its product and performing market research to ensure it is meeting the needs of its listener base. The Company is sheltered from the effect of competition in many of its small markets as it is the sole station serving those communities.

New Market Entrants

In recent years, the CRTC had been awarding an increasing number of new FM licences in markets. While the Company benefited from this trend by being the recipient of some of these new licences, it has also been negatively affected by new competition in some locations. In all markets where competition is a factor, the Company continuously studies the market, including demographic trends and the needs of both customers and listeners, to have reasonable assurance that the programming offered is tailored to the requirements of the audience.

Impact of Regulation

The Company is regulated by the CRTC under the Broadcasting Act. Although this regulatory body provides a stable operating environment, the Company's financial results may be affected by changes in regulations, policies and decisions made by the Commission. The current regulations with respect to the maximum number of broadcast licences held in any one market, the percentage of foreign ownership, the required level of Canadian content and other aspects of the regulations could change in the future. The Company actively monitors the regulatory environment to ensure it is aware of all risks and opportunities.

The licencing process creates a significant barrier to entry which provides a degree of protection for the Company in its existing markets. This also makes it difficult to enter new markets because a company either needs to be awarded a new licence (through the public process) or pay significant funds for existing stations in a market.

Regulatory Environment – Radio Tariffs

The Company is subject to certain fees. Licence fees are payable to the CRTC, while copyright fees are payable to collection societies which include the Society of Composers, Authors and Music Publishers of Canada ("SOCAN"), the Neighbouring Rights Collective of Canada ("NRCC"), the Canadian Musical Reproduction Rights Agency ("CMRRA"), and the Society for Reproduction Rights of Authors, Composers and Publishers in Canada ("SODRAC") based on rates set by the Copyright Board of Canada ("Copyright Board").

The collection societies can apply at any time to the Copyright Board for amendments to the fees which could affect future results. The Canadian Association of Broadcasters ("CAB") represents the interests of broadcasters by representing the industry at any hearings before the Copyright Board.

The Copyright Board heard proposals in December 2008 related to five copyright tariff proposals for commercial radio. Agencies proposing these tariffs included NRCC, SOCAN, CSI (a coalition of SODRAC and CMRRA) and two groups that have no existing tariffs AVLA/SOPROQ (representing record labels), and Artisti (representing performers). The tariffs, if introduced, could impact the 2008 calendar year and all future calendar years. The CAB is acting on behalf of the broadcasters to oppose any tariff rate increases and has requested tariff reductions. It is not possible to predict the potential impact these proposed tariffs might have on the Company's financial results until such time a decision on the matter is rendered.

In February 2010, an announcement was made that the CAB would officially be wound-up by June 2010. A new organization that would focus solely on the needs and represent the interests of Canadian radio broadcasters is expected to be formed in the coming months and the Company is actively involved in this process. Any current outstanding matters the CAB is involved with are expected to be dealt with by members of the CAB until such time a new organization is formed.

Regulatory Environment – CRTC Part II Fees

Since 2001, the CRTC levied Part II licence fees on all Canadian Broadcasters. Broadcasters paid the fees in protest until December 15, 2006 when the Federal Court issued a decision stating the fees were not a valid regulatory charge. In 2007 because there had been no appeal of the 2006 court decision, the Company reversed the fees it had accrued and stopped accounting for these fees in its ongoing results. Then in April 2008, the Federal Court of Appeal reversed the December 2006 decision. At this time, the Company felt that the fees met the definition of a liability and recognized the obligation retroactively to January 1, 2007. As a result, for the year ended December 31, 2008, the Company recognized $1.3 million in CRTC Part II fees of which almost one half related to 2007.

In October 2009, the Government of Canada and members of the broadcasting industry that were required to pay CRTC Part II licence fees announced they had settled the Part II licence fee issue. Under the terms of the settlement, the government agreed to waive the fees payable for the broadcast calendar years ending August 31, 2007, 2008 and 2009 that had not been collected due to the ongoing legal dispute. In exchange, the Canadian Association of Broadcasters ("CAB") agreed to discontinue its court action against the Government of Canada. The Government of Canada agreed to recommend to the CRTC that it develop a new Part II fee regime which would be capped at $100 million, indexed for annual inflation, effective beginning September 1, 2009.

As a result of the settlement, the Company reversed the total obligation it had recognized related to CRTC Part II fees which amounted to $2.0 million. Approximately $0.5 million of this total related to fiscal 2009; the rest related to prior years. Because a new Part II fee regime will be effective from September 1, 2009 on, the Company has continued to accrue an estimated amount until a conclusion is reached.

Technological Developments

With the advent of new or alternative media technologies such as satellite radio, digital radio, the Internet, wireless broadcasting and podcasting, competition for broadcasting advertising revenue and listeners has, and will continue to increase. This increased competition could have the impact of reducing the Company's market share, its ratings within a market, or have an adverse effect on advertising revenue locally and nationally. While such technologies could adversely impact operating results, the Company continuously seeks to achieve competitive advantages by keeping abreast of emerging technologies and enhancing its service offering to advertisers.

Potential Contingencies

The Company and its subsidiaries are involved in various legal actions which arise out of the ordinary course and conduct of its business. Management believes any potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

OUTLOOK

In light of the economic climate in the latter half of 2008, the Company re-aligned its focus to concentrate on two short-term goals during 2009: growing existing operations, and reducing debt. The Company delivered on both; it grew revenue by 2% while the industry posted negative growth of 9% and bank debt was reduced by $18.6 million. In addition, the focused efforts placed on increasing market share paid off as the Company enjoyed some of the best ratings results in its history in December 2009.

Over the years, the Company has demonstrated steady growth in its asset base, its number of broadcast licences, and its revenue. The success is attributed to the Company's long-standing strategy which is to grow the business by:

- adding new licences through acquisitions and through the CRTC licence application process;
- converting AM stations to FM; and
- maximizing returns on existing operations.

The Company will continue to focus on its successful operating strategy and specifically in 2010, it will:

- review all acquisition opportunities that are cash-accretive in the near-term and that would complement the Company's operating strategy;
- apply for licences in new communities, thereby expanding the number of licences held;
- seek approval from the CRTC to convert AM stations to FM which generates immediate topline growth;
- continue to maximize operating margins from the existing stations by:
  - managing costs to achieve the highest possible EBITDA margins without compromising the quality of the product;
  - increasing revenues by providing creative solutions to advertisers, particularly with regard to local revenue where management has the most ability to influence buying decisions; and
  - augmenting audience share by providing locally-focused programming that delivers the music, news and information that local communities want.
- in terms of expansionary activity, the Company will launch in 2010 the following:
  - repeater signals in Prince Edward Island which will expand the audience base;
  - AM to FM conversions in St. Paul and High Prairie, Alberta; and
  - AM to FM conversions in Wabush and Goose Bay, Newfoundland and Labrador.
- be actively involved and present at events that are important to the communities in which the Company operates and this includes contributing personnel time, cash and other advertising and promotional products that will assist in making the events successful.

While the Company felt the impact of the economic downturn experienced by all other Canadian companies in 2009, management is proud that it was able to produce positive growth. This was quite an achievement considering the negative growth the radio industry posted all year. The Company's growth was all attributed to local revenue which is a testament to the talented sales professionals employed across the country. The Company has always tied much of its past success to its connection with the local communities it serves. This year the message was clear that these local relationships built through the years are what helped the Company weather the economic storm. Because of the solid strategic and operating foundation laid over the years, and because of the talent of the Company's many radio professionals, the Company is in a solid position to achieve great success this year and in those to come.

NON-GAAP MEASURE

[(1)]EBITDA is defined as net income (loss) from continuing operations excluding depreciation and amortization expense, interest expense, accretion of other liabilities, goodwill impairment loss, gain on disposal of broadcasting licence and provision for income taxes. A calculation of this measure is as follows:

	Year ended December	
		(restated)
(thousands of dollars)	**2009**	2008
Net income (loss) from continuing operations	**$ 14,934**	(4,753)
Provision for income taxes	**5,506**	3,930
Gain on disposal of broadcasting licence	**(5,616)**	—
Goodwill impairment loss	**—**	1,334
Accretion of other liabilities	**867**	1,022
Interest expense	**4,374**	4,019
Depreciation and amortization expense	**3,795**	3,549
EBITDA	**$ 23,860**	9,101

This measure is not defined by Generally Accepted Accounting Principles and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements and other information in this Annual Report are the responsibility of the management of Newfoundland Capital Corporation Limited. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. When alternative accounting methods exist, management chooses those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgment. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that shown in the accompanying consolidated financial statements.

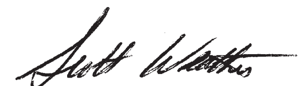
The Company has designed and maintains high-quality systems of internal controls over financial reporting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. As at December 31, 2009, the President and Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the design and effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective to provide reasonable assurance that material information relating to the Company and its subsidiaries would have been known to them and disclosed. As at December 31, 2009, the President and Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the design and effectiveness of the Company's internal controls over financial reporting, have concluded that the Company's internal controls over financial reporting are adequately designed and are operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

The Board of Directors ("Board") is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility with its Audit and Governance Committee which consists of three independent directors who are appointed by the Board and are also unrelated to the Company. Upon recommendation from the Audit and Governance Committee, the Board approves the consolidated financial statements for issuance to the Company's shareholders. The Committee meets periodically with management and independent auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that the respective parties are properly discharging their responsibilities. The Audit and Governance Committee recommends the appointment of the Company's auditors, who have full and unrestricted access to the Committee.

On behalf of the shareholders, the consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards. Their opinion is presented hereafter.

February 12, 2010

Robert G. Steele
President and
Chief Executive Officer



Scott G.M. Weatherby
Chief Financial Officer and
Corporate Secretary

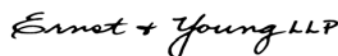
AUDITORS' REPORT

To the Shareholders of Newfoundland Capital Corporation Limited

We have audited the consolidated balance sheets of Newfoundland Capital Corporation Limited as at December 31, 2009 and 2008 and the consolidated statements of income (loss), shareholders' equity, comprehensive income (loss), accumulated other comprehensive loss, and cash flows for the years then ended. These financial statements are the responsibility of the Company'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. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Halifax, Canada
February 12, 2010

CONSOLIDATED **BALANCE SHEETS**

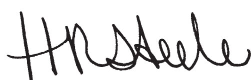
As at December 31

(thousands of Canadian dollars)	2009	(restated) 2008
ASSETS		
Current assets		
Marketable securities	**$ 4,923**	4,196
Receivables	**23,831**	24,054
Prepaid expenses	**778**	974
Other assets (NOTE 7)	**1,810**	—
Future income tax assets (NOTE 15)	**1,173**	4,156
Total current assets	**32,515**	33,380
Property and equipment (NOTE 6)	**37,248**	37,342
Other assets (NOTE 7)	**4,216**	4,167
Broadcast licences (NOTE 3)	**149,641**	151,773
Goodwill (NOTE 4)	**7,045**	7,045
Future income tax assets (NOTE 15)	**2,188**	2,069
	$ 232,853	235,776
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness (NOTE 8)	**$ 99**	2,003
Accounts payable and accrued liabilities	**17,118**	17,446
Dividends payable	**3,297**	—
Income taxes payable	**6,836**	8,719
Current portion of long-term debt (NOTES 8 AND 14)	**57,100**	5
Total current liabilities	**84,450**	28,173
Long-term debt (NOTES 8 AND 14)	**—**	73,840
Other liabilities (NOTE 9)	**18,946**	23,953
Future income tax liabilities (NOTE 15)	**25,668**	21,167
Shareholders' equity	**103,789**	88,643
	$ 232,853	235,776

Commitments and contingencies (NOTE 19)

See accompanying notes to the consolidated financial statements

On behalf of the Board



H.R. Steele
Director

D. I. Matheson
Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the years ended December 31

(thousands of Canadian dollars, except per share data)	2009	(restated) 2008
Revenue	$ **105,298**	103,382
Other income (expense)	**2,809**	(8,516)
	108,107	94,866
Operating expenses	**84,247**	85,765
Depreciation	**3,746**	3,501
Amortization	**49**	48
Operating income	**20,065**	5,552
Interest expense (NOTE 8)	**4,374**	4,019
Accretion of other liabilities (NOTE 9)	**867**	1,022
Goodwill impairment loss (NOTE 4)	**—**	1,334
	14,824	(823)
Gain on disposal of broadcasting licence (NOTE 3(A))	**5,616**	—
Earnings (loss) from continuing operations before income taxes	**20,440**	(823)
Provision for income taxes (NOTE 15)	**5,506**	3,930
Net income (loss) from continuing operations	**14,934**	(4,753)
Net income from discontinued operations (NOTE 5)	**432**	108
Net income (loss)	$ **15,366**	(4,645)
Earnings per share from continuing operations (NOTES 11(A) & 16)		
– basic	$ **0.45**	(0.14)
– diluted	**0.44**	(0.14)
Earnings per share (NOTES 11(A) & 16)		
– basic	$ **0.47**	(0.14)
– diluted	**0.45**	(0.14)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31

(thousands of Canadian dollars)	2009	(restated) 2008
Retained earnings, beginning of year	$ **48,547**	59,621
Retrospective application of change in accounting policy (NOTE 2(A))	**—**	(1,758)
Retained earnings, beginning of year, as restated	**48,547**	57,863
Net income (loss)	**15,366**	(4,645)
Dividends declared	**(3,297)**	(3,298)
Repurchase of capital stock (NOTE 11(C))	**—**	(1,373)
Retained earnings, end of year	**60,616**	48,547
Capital stock (NOTES 11(C) AND 11(D))	**42,913**	42,913
Contributed surplus (NOTE 12)	**2,157**	1,945
Accumulated other comprehensive loss	**(1,897)**	(4,762)
Total shareholders' equity	$ **103,789**	88,643

See accompanying notes to the consolidated financial statements

CONSOLIDATED **STATEMENTS OF COMPREHENSIVE INCOME** (LOSS)

For the years ended December 31

(thousands of Canadian dollars)		2009	2008
Net income (loss)	**$**	**15,366**	(4,645)
Other comprehensive income (loss):			
Change in fair values of cash flow hedges			
Interest rate swaps (NOTE 14(B)):			
Increase (decrease) in fair value, net of income tax expense of $788 (2008 – tax recovery of $1,866)		**2,159**	(4,829)
Reclassification to net income of interest expense, net of income tax expense of $203 (2008 – tax expense of $71)		**554**	182
Credit risk adjustment, net of income tax expense of $23 (2008 – $nil)		**72**	—
		2,785	(4,647)
Total equity return swap (NOTE 14(C)):			
Increase (decrease) in fair value, net of income tax expense of $459 (2008 – tax recovery of $375)		**1,241**	(900)
Reclassification to net income of realized (gains) losses, net of income tax recovery of $452 (2008 – tax expense of $240)		**(1,161)**	577
		80	(323)
Other comprehensive income (loss)		**2,865**	(4,970)
Comprehensive income (loss)	**$**	**18,231**	(9,615)

See accompanying notes to the consolidated financial statements

CONSOLIDATED **STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS**

For the years ended December 31

(thousands of Canadian dollars)		2009	2008
Accumulated other comprehensive (loss) income, beginning of year	**$**	**(4,762)**	208
Other comprehensive income (loss) for the year		**2,865**	(4,970)
Accumulated other comprehensive loss, end of year	**$**	**(1,897)**	(4,762)

See accompanying notes to the consolidated financial statements

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

For the years ended December 31

(thousands of Canadian dollars)		2009	(restated) 2008
Operating activities			
Net income (loss) from continuing operations	**$**	**14,934**	(4,753)
Items not involving cash			
Depreciation and amortization		**3,795**	3,549
Future income taxes (NOTE 15)		**6,188**	2,498
Gain on disposal of broadcasting licence (NOTE 3(A))		**(5,616)**	—
Executive stock-based compensation plans (NOTES 13(B) & 13(C))		**1,688**	(523)
Accretion of other liabilities (NOTE 9)		**867**	1,022
Unrealized (gains) losses on marketable securities (NOTE 14(A))		**(1,754)**	7,906
Goodwill impairment loss (NOTE 4)		**—**	1,334
Other		**(1,497)**	676
		18,605	11,709
Change in non-cash working capital relating to operating activities from continuing operations (NOTE 18)		**(646)**	1,869
Cash flow from continuing operating activities		**17,950**	13,578
Cash flow from discontinued operations		**383**	207
		18,342	13,785
Financing activities			
Change in bank indebtedness		**(1,904)**	886
Long-term debt borrowings		**—**	12,840
Long-term debt repayments		**(16,745)**	(23)
Repurchase of capital stock (NOTE 11(C))		**—**	(1,805)
Dividends paid		**—**	(4,962)
		(18,649)	6,936
Investing activities			
Property and equipment additions		**(3,961)**	(5,591)
Proceeds from disposal of broadcasting assets (NOTES 3(A) & 3(B))		**9,753**	—
Acquisition of businesses and licences (NOTE 3(D))		**—**	(8,500)
Canadian Content Development commitment payments		**(4,973)**	(3,944)
Other		**(512)**	(2,686)
		307	(20,721)
Cash, beginning and end of year	**$**	**—**	—

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is incorporated under the Canada Business Corporations Act and its shares are traded on the Toronto Stock Exchange ("TSX"). Its primary activity is radio broadcasting. All amounts are expressed in Canadian dollars.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), the more significant of which are as follows:

(a) Basis of presentation and principles of consolidation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could be different from those estimates.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

(b) Cash and cash equivalents

The Company's cash and cash equivalents are deposits in banks. The Company nets its cash and cash equivalents with bank indebtedness.

(c) Investments

The Company's marketable securities are classified as assets held for trading and are measured at their fair value at the balance sheet date. Marketable securities consist of shares of publicly traded companies and fair value is based on the quoted share prices in active markets at the balance sheet date. Gains and losses on these securities are recorded in net income as other income. The Company has an investment in a company over which it exercises significant influence and it is accounted for by the equity method.

(d) Property and equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the declining balance method at the following rates:

	Broadcasting	Corporate and Other
Buildings	5%	5% – 15%
Equipment	7.5% – 20%	14% – 20%

(e) Deferred tenant inducements

In common with many lease agreements, the Company receives tenant inducements in exchange for making long-term commitments for leased premises. These inducements may be in the form of rent-free periods, reduced rent, or the provision of leasehold improvements. These inducements are being recognized as reduced rental expense on a straight-line basis over the term of the lease.

(f) Impairment of long-lived assets

Long-lived assets, consisting of property and equipment and other intangible assets, are tested for impairment whenever there have been events or circumstances that indicate that their carrying value may not be recoverable. If the carrying value of a long-lived asset intended for use exceeds the sum of undiscounted cash flows expected from its use and eventual disposition, an impairment loss is recognized, measured as any excess of the carrying value over the fair value.

(g) Acquisitions, broadcast licences and goodwill

The cost of acquiring businesses is allocated to the fair value of the related net identifiable tangible and intangible assets acquired using the purchase method. Identifiable intangible assets acquired consist primarily of broadcast licences. The excess of the cost of the acquired businesses over the fair value of the related net identifiable tangible and intangible assets acquired is allocated to goodwill. To receive approval of an acquisition involving broadcast licences, the Canadian Radio-television and Telecommunications Commission ("CRTC") may require a commitment to fund Canadian Content Development ("CCD") over and above the prescribed annual requirements. These obligations are considered to be part of the cost of the acquired businesses and are recognized as a liability upon acquisition.

Costs related to the award of new broadcast licences pursuant to applications to the CRTC are capitalized as licences. In rendering its decision to award new broadcast licences, the CRTC may require the Company to commit to fund CCD during the initial term of the licence over and above the prescribed annual requirements. These obligations are considered to be part of the costs related to the award of new broadcast licences and are recognized as a liability upon the launch of the new broadcast licence.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Acquisitions, broadcast licences and goodwill (continued)

Goodwill and broadcast licences are not amortized but are tested for impairment annually, or more frequently if events or circumstances indicate an impairment may have occurred. The method used to assess if there has been a permanent impairment in the carrying value of these assets is based on projected discounted cash flows which approximates fair value. Fair values are compared to the carrying values and an impairment loss, if any, is recognized for the excess of carrying value over fair value. Goodwill impairment testing is carried out in two steps. If the fair value of a reporting unit exceeds its carrying amount, no impairment charge is recognized and the second step is not required. If step one fails, the second step involves allocating the fair value of the reporting unit to its identifiable assets and liabilities in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than its carrying value, an impairment charge is recognized for the difference on the consolidated statements of income. The Company conducts its annual impairment test as at August 31. Refer to Note 4 for additional information.

(h) Employee future benefit plans

The Company maintains defined contribution and defined benefit pension plans. The Company does not provide any non-pension post-retirement benefits to employees. The Company matches employee contributions under the defined contribution plan. The Company's portion is recorded as compensation expense as contributions are made.

The defined benefit pension obligations are valued using the projected benefit method pro-rated on services and best estimate assumptions of expected plan investment performance, salary escalation and retirement ages. Pension plan assets are valued at market value. Long-term expected rate of return and the market value of assets are used to calculate the expected return on assets. Past service costs and the excess of the aggregate net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year are amortized over the average remaining service period of active employees of 7 years (2008 – 9 years).

(i) Stock-based compensation

The Company has a share purchase plan for which the Company matches a portion of employees' payments toward the purchase of its Class A Subordinate Voting Shares ("Class A shares"). The Company's portion is recorded as compensation expense when contributions are made to the plan.

The Company has an executive stock option plan. The proceeds from the exercise of stock options are credited to capital stock when options are exercised. When stock options are granted, compensation expense is recognized over the vesting period and is measured using the liability method. This method requires that the fair value of awards of stock options be expensed and credited to contributed surplus over the related vesting period. Stock options can be exercised on a cashless basis whereby the Company issues Class A shares with an aggregate value equal to the difference between the exercise price of the options and the fair market value of the Company's Class A shares. The fair market value of the Class A shares is based on the volume weighted average trading price of one Class A share on the TSX over the period of five consecutive trading days ended on and including the day prior to the date of exercise. As stock options are exercised, the related contributed surplus amounts are removed from contributed surplus and credited to capital stock.

A stock appreciation rights plan ("SAR Plan"), a form of stock-based compensation, was formalized in January 2006. The Company uses the liability method to account for compensation costs associated with the SAR Plan, based on graded vesting. Compensation expense is measured at the amount by which the quoted market value of the Company's Class A shares on the TSX exceeds the reference price as specified under the SAR Plan. More information is contained in Note 13 (c) of the consolidated financial statements.

(j) Revenue recognition

Revenue earned from the sale of advertising airtime is recognized in the accounts once the broadcasting of the advertisement has occurred. Revenue is recorded net of any agency commissions as these charges are paid directly to the agency by the advertiser. Revenue earned from the hotel operation is recognized as service is provided.

The Company, from time to time, exchanges airtime for products and services. These non-monetary transactions are measured at fair value. The Company has recorded revenue of $2,596,000 (2008 – $2,574,000) and operating expenses of $2,601,000 (2008 – $2,580,000) pursuant to non-monetary transactions.

Other income includes realized and unrealized gains and losses on marketable securities, interest, dividends and distributions from investments. Interest revenue is recognized on an accrual basis over the term of the interest-bearing instrument. Dividends and trust distributions are recognized as revenue on the declaration date of the respective amounts.

(k) Income taxes

The Company accounts for income taxes using the liability method. Under this method future income tax assets and liabilities are the cumulative amount of tax applicable to temporary differences between the carrying amount of assets and liabilities and their values for tax purposes. Future income tax assets and liabilities are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to be recovered, settled or reversed.

Changes in future income taxes related to a change in substantively enacted tax rates are recognized in income in the period of the change. The Company recognizes the benefits of capital and non-capital loss carryforwards as future tax assets when it is more likely than not that the benefits will be realized.

(l) Earnings per share

Basic earnings per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are calculated using the weighted average number of shares that would have been outstanding had the relevant outstanding stock options been exercised at the beginning of the year, or their respective grant dates, if later.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Comprehensive income

Comprehensive income consists of net income and other comprehensive income ("OCI") and represents the change in equity during a period from transactions and other events from non-owner sources. Items recognized in OCI include unrealized changes in the fair value of the effective portion of cash flow hedging instruments and the associated income tax of OCI components. Amounts recognized in OCI eventually must be reclassified to the income statement.

(n) Financial instruments

The Company's financial instruments have been classified as assets held for trading, loans and receivables or other liabilities. The accounting for financial instruments varies depending on their classification. The following table illustrates the classification of the Company's financial instruments and the related measurement basis for accounting purposes:

Asset / Liability	Classification	Measurement
Cash and bank indebtedness	Held for trading	Fair value
Marketable securities	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost using EIM*
Accounts payable and accrued liabilities	Other liabilities	Amortized cost using EIM
Long-term debt	Other liabilities	Amortized cost using EIM
Canadian Content Development commitments, included in other liabilities	Other liabilities	Amortized cost using EIM

*EIM – effective interest method

Marketable securities and cash are able to be settled in the near-term; therefore, they meet the criteria required to classify them as held for trading. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recorded immediately in net income. The fair value of marketable securities is based on the quoted share prices in active markets. Additional information is contained in Note 14 (a).

Financial instruments classified as loans and receivables and other liabilities are measured using amortized cost using EIM. Under the EIM, interest income and expense are calculated and recorded using the effective interest rate which is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument. Interest income and expense related to financial assets and financial liabilities are being recorded using the EIM.

Transaction costs directly attributable to financial instruments classified as other than held for trading are included in the initial carrying value of such instruments and are amortized using EIM.

(o) Hedges

Derivatives designated as hedges must be recorded on the balance sheet at fair value. Gains and losses from any ineffectiveness in hedging relationships must be identified, measured and recorded in net income immediately. Gains and losses arising from the hedged risk in a cash flow hedge, to the extent that the hedging relationship is effective, are deferred and included in OCI until such time as the hedged item affects net income.

2 ADOPTION OF NEW ACCOUNTING POLICIES

(a) Impact of adopting new accounting policies

Section 3064 – Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – *Goodwill and Intangible Assets.* This Section establishes the standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this Section resulted in a change in how the Company accounts for its pre-operating costs related to new station launches. Prior to adopting this policy, the Company capitalized pre-operating costs and amortized them over the initial term of the related broadcast licences. Capitalization of these costs is no longer permitted and therefore will be recorded in net income as incurred.

The 2008 opening retained earnings were reduced by $1,758,000 which represented the after-tax adjustments relating to periods prior to January 1, 2008.

2 ADOPTION OF NEW ACCOUNTING POLICIES (CONTINUED)

(a) Impact of adopting new accounting policies (continued)

Section 3064 – Goodwill and Intangible Assets (continued)

For pre-operating balances that existed on January 1, 2009, they were accounted for retrospectively with restatement of comparative figures in accordance with Section 1506 *Accounting Changes.* As a result of adopting this accounting policy, the effects on the comparative consolidated statements of income and balance sheets are presented below:

(thousands of dollars)	2008
Impact on comparative consolidated statements of income	
Operating expenses increased by	$ 963
Amortization expense decreased by	(589)
Provision for income tax expense decreased by	(99)
Net income decreased by	(275)
Basic and diluted earnings per share decreased by	$ (0.01)
Impact on comparative consolidated balance sheets	
Other assets decreased by	$ (2,858)
Future income tax liabilities decreased by	(824)
Retained earnings reduced by	$ (2,034)

EIC – 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

During 2009, the CICA issued EIC – 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* which requires an entity to consider its own credit risk and that of its counterparty to a financial instrument when determining the fair value of financial assets and liabilities. This applies to the Company's derivative instruments. No opening adjustment was required at the time of adoption; however, the Company has since measured its own credit risk in relation to its interest rate swaps and additional information is contained in Note 14 (b).

Section 3862 Financial Instruments – Disclosures

In 2009, the CICA amended certain paragraphs in CICA Section 3862 *Financial Instruments – Disclosures* which aligns the standard more closely with IFRS. Specifically, it provides enhanced disclosure requirements around fair value measurement of financial instruments, including the relative reliability of the inputs used in those measurements, and disclosure of liquidity risk. Section 3862 now requires that an entity classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The amended paragraphs were to be applied for fiscal years ending on or after September 30, 2009. The Company adopted these amendments for the year ended December 31, 2009 and the additional required disclosures have been made in Note 14. The Company was not required to provide comparative information for the disclosures required by these amendments in its first year of application.

(b) Impact of adopting future accounting policies

Section 1582 Business Combinations

During 2009, the CICA issued Handbook Section 1582 *Business Combinations* which replaces Section 1581 bearing the same name. This Section is effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted, and the changes align the standard with the guidance in International Financial Reporting Standards ("IFRS"). Of the amendments in the Section, the one that will represent the most significant change in how the Company accounts for business combinations is the determination of the cost of the purchase. The cost that is allocated to the fair value of the net assets acquired is the direct cost of the business combination; indirect costs such as legal or restructuring are expensed. The Company intends to early adopt this standard if any business combinations should occur in 2010. The impact the changes will have on its consolidated results will continue to be monitored.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These Sections were issued and together replace Section 1600 *Consolidated Financial Statements.* These too are applicable for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will continue to evaluate the impact of the amendments.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will apply IFRS beginning January 1, 2011 with restatement of the amounts recorded on the opening IFRS balance sheet as at January 1, 2010, for comparative purposes. The Company continues to evaluate the impact the changes will have on its consolidated results.

3 BUSINESS AND LICENCE ADDITIONS, ACQUISITIONS AND DISPOSALS

(a) Exchange of broadcast assets

In August 2009, the Company finalized the asset exchange transaction with Rogers Broadcasting Limited ("Rogers" – a Division of Rogers Communications Inc. RCI.A and RCI.B). The transaction involved the exchange of the Company's AM broadcast licence in Halifax, Nova Scotia for Rogers' AM broadcast licence in Sudbury, Ontario. The fair value of the asset given up was determined to be $6,898,000. Consideration received was $5,000,000 cash and the Sudbury AM broadcast licence valued at $1,898,000. As a result of this asset exchange, the Company increased its licence value by $1,898,000 for the Sudbury licence, increased CCD obligations by $523,000 related to the new licence, decreased the licence carrying value by $689,000 related to the Halifax AM licence given up and recorded a gain on the disposal of the Halifax licence totalling $5,616,000. The assets obtained and the results of their operations have been consolidated as of August 25, 2009.

(b) Disposal of broadcast assets

On December 30, 2009, the Company disposed of the net assets associated with its two FM radio stations located in Thunder Bay, Ontario for proceeds of $4,500,000 plus an amount for certain working capital. As a result of this disposal, the Company has decreased licences by $3,376,000, property and equipment by $463,000, current assets by $450,000 and has recorded a gain on disposal aggregating $270,000. Because the aggregate final proceeds will not be known until the post-closing working capital adjustment is settled on April 30, 2010, the amount reported as the gain on disposal is subject to change with any significant change being recognized in 2010. Refer to Note 5 for additional information.

(c) Broadcast licence additions

In August 2009, the Company launched the FM station in Athabasca, Alberta. Upon the launch, the Company was obligated to make a $35,000 commitment for CCD. The commitment is payable over seven years. Licence value and long-term obligations were increased by the CCD amount.

During 2008, the Company launched its new FM radio stations in Carbonear, Newfoundland and Labrador, Lac LaBiche and Fort McMurray, Alberta and Kentville and Sydney, Nova Scotia. Upon the launch dates, the Company became obligated to pay $225,000 in CCD commitments per year for seven years. Using the amortized cost basis to record these commitments on the consolidated balance sheets, $1,235,000 was capitalized as broadcast licences and recorded in other liabilities. Costs incurred related to the award of new broadcast licences such as application costs are also capitalized bringing the total amount capitalized to broadcast licences related to new licence additions to $1,496,000. Earnings generated by these licences have been included in net income since the station launch dates.

(d) Business acquisitions

On July 2, 2008, the Company acquired the remaining 50% interest in Metro Radio Group Inc. ("MRG") which operates CKUL-FM in Halifax, Nova Scotia for $8,500,000. The purchase price was allocated to the net identifiable assets acquired on the basis of their estimated fair market values using the purchase method of accounting. As a result of this acquisition, the following assets and liabilities were most significantly impacted: broadcast licences increased by $7,032,000, goodwill increased by $3,520,000 (not deductible for tax purposes); CCD obligations increased by $346,000 and long-term future income tax liabilities increased by $1,952,000. The earnings of the acquired business have been included in net income since the date of acquisition.

(e) Significant influence investment

On July 2, 2008, the Company paid $1,000,000 for a 29.9% interest in a company that operates an FM radio station. The investment is one in which the Company exercises significant influence and the share of net profits or losses are accounted for in net income. As a result of the cumulative losses aggregating $98,000 in 2009 (2008 – $33,000), the carrying value of the significant influence investment was $869,000 at December 31, 2009.

4 GOODWILL IMPAIRMENT LOSS

As a result of conducting the 2008 annual goodwill impairment analysis, the value for goodwill that arose on the 2005 and 2006 business acquisitions in Winnipeg, Manitoba could not be supported and therefore, a goodwill impairment loss of $1,334,000 was recorded in 2008. No impairment for any broadcast licence or goodwill occurred in 2009.

5 DISCONTINUED OPERATIONS

As disclosed in Note 3 (b), the Company disposed of its net assets associated with the two FM radio stations located in Thunder Bay, Ontario. The financial results of operations from this component and the gain on its disposal have been treated as discontinued operations in the consolidated statements of income and cash flows for both 2009 and 2008. The results of this component were also excluded from the Broadcasting segment results in segmented information presented in Note 17.

Selected financial information for the reporting unit included in discontinued operations is presented below:

(thousands of dollars)		2009	2008
Income from operations from discontinued operations	$	**318**	157
Gain on disposition of discontinued component (NOTE 3(B))		**270**	—
Provision for income taxes		**(156)**	(49)
Net income from discontinued operations	$	**432**	108

6 PROPERTY AND EQUIPMENT

(thousands of dollars)		Cost	Accumulated depreciation	Net book value
2009				
Land	**$**	**2,422**	**—**	**2,422**
Buildings		**9,750**	**2,873**	**6,877**
Equipment		**51,296**	**23,347**	**27,949**
	$	**63,468**	**26,220**	**37,248**
2008				
Land	$	2,422	—	2,422
Buildings		9,024	2,552	6,472
Equipment		50,041	21,593	28,448
	$	61,487	24,145	37,342

7 OTHER ASSETS

(thousands of dollars)		2009	(restated) 2008
Accrued pension benefit asset (NOTE 10(B))	**$**	**1,423**	1,397
Customer-related intangible assets, net of amortization		**256**	272
Equity total return swap receivable (NOTE 14(C))		**1,466**	—
Investment and advances to affiliated company (NOTE 3(E))		**2,369**	2,392
Other		**512**	106
		6,026	4,167
Less: Current portion			
Equity total return swap receivable		**1,410**	—
Other		**400**	—
Other assets current		**1,810**	—
Other assets non-current	**$**	**4,216**	4,167

The $310,000 customer-related intangible asset is being amortized on a straight-line basis over twenty years. Advances to the affiliated company bear interest at prime. Included in other is a $205,000 intangible long-term agreement which is being amortized on a straight-line basis over the term of the agreement.

8 BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of dollars)		2009	2008
Revolving term credit facility of $76.5 million, renewable bi-annually, maturing June 2010	**$**	**57,100**	73,845
Less: Current portion		**57,100**	5
	$	**—**	73,840

In accordance with guidance taken from CICA 3210 "*Long-term debt*", long-term debt having a maturity date within the next twelve months is required to be classified as a current liability. It is management's intention to renew its credit facility prior to June 2010 and as a result, there will be no lump-sum debt repayment. For further discussion on this topic refer to the Liquidity Risk section of Note 14 to the consolidated financial statements.

Long-term debt bears interest at bankers' acceptance rates plus a premium based on certain financial ratios. To manage interest rate risk and ensure stability in the Company's interest costs, the Company has entered into interest rate swap agreements (see Note 14 (b)) on a portion of long-term debt which fix the floating bankers' acceptance rates.

Bank indebtedness bears interest at prime and is due on demand. The Company has provided a general assignment of book debts and a first ranking fixed charge demand debenture over all freehold and leasehold real property and all equipment and a security interest and floating charge over all other property as collateral for the bank indebtedness and the revolving term credit facility.

Interest expense included $4,305,000 for interest on long-term debt (2008 – $3,809,000).

9 OTHER LIABILITIES

(thousands of dollars)		2009	2008
Canadian Content Development commitments related to broadcast licences awarded and acquired, net of current portion of $2,076 (2008 – $3,183)	$	**6,626**	9,016
Accrued pension benefit liability (NOTE 10(B))		**6,185**	6,169
Deferred tenant inducements		**2,091**	2,057
Interest rate swap payable, net of current portion of $163 included in accounts payable and accrued liabilities (2008 – $85) (NOTE 14(B))		**3,591**	6,711
Stock appreciation rights payable, net of current portion of $1,091 included in accounts payable and accrued liabilities (2008 – $67) (NOTE 13(C))		**453**	—
	$	**18,946**	23,953

The scheduled payments for the CCD commitments over the next five years are as follows: 2010 – $2,076,000; 2011 – $2,174,000; 2012 – $2,372,000; 2013 – $1,466,000, 2014 – $367,000 and thereafter $247,000. The current portion is included in accounts payable and accrued liabilities. CCD commitments are measured based on the amortized cost using EIM which gives rise to accretion expense which amounted to $867,000 (2008 – $1,022,000). EIM rates used to determine the value of CCD commitments range from 8.0% to 14.3%.

The Company has issued letters of credit totaling $826,000 in support of certain of these liabilities.

10 EMPLOYEE FUTURE BENEFIT PLANS

(a) Defined contribution pension plan

The Company maintains a defined contribution employee pension plan covering the majority of its employees. The Company's contributions to the defined contribution plan are based upon percentages of gross salaries. The Company's contributions to the plan during 2009 were $1,401,000 (2008 – $1,314,000).

(b) Defined benefit plans

The Company maintains a defined benefit plan ("the Basic Plan") for a small group of the Company's current and former employees. The plan provides pension benefits based on length of service and the last five years' of average earnings of each member. The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of December 31 of each year. The most recent actuarial valuation of the pension plan was December 31, 2009.

In addition, the Company has two individual Supplementary Retirement Pension Arrangements ("SRPA's") that each pay a pension to a retired executive. These SRPA's provide benefits over and above that which can be provided under the Income Tax Act, and are thus not pre-funded. Unamortized costs of the SRPA's are expensed over the expected average remaining life of the participating executives.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	2009		2008	
	Basic Plan	**SRPA**	Basic Plan	SRPA
Discount rate	**5.7%**	**5.7%**	7.0%	7.0%
Expected long-term rate of return on plan assets	**7.0%**	**N/A**	7.0%	N/A
Rate of compensation increase	**4.0%**	**4.0%**	4.0%	4.0%

The effect of changing the assumptions of the discount rate from 7.0% last year to 5.7% this year has resulted in increasing the pension obligations by $633,000 for the Basic Plan and $742,000 for the SRPA. The Basic Plan had investment experience gains of $530,000 in 2009.

Plan assets, measured as at December 31, consist of:

	2009		2008	
	Basic Plan	**SRPA**	Basic Plan	SRPA
Equity funds	**60%**	**N/A**	48%	N/A
Fixed income funds	**32%**	**N/A**	29%	N/A
Money market funds	**8%**	**N/A**	23%	N/A
	100%	**N/A**	100%	N/A

The pension plan has no direct investments in Newfoundland Capital Corporation Limited nor any of its affiliates.

10 EMPLOYEE FUTURE BENEFIT PLANS (CONTINUED)

(b) Defined benefit plans (continued)

The following summarizes the Company's defined benefit plans:

		2009		2008
(thousands of dollars)	**Basic Plan**	**SRPA**	Basic Plan	SRPA
Accrued benefit obligations				
Balance – beginning of year	**$ 3,375**	**7,398**	4,080	8,624
Current service cost	**60**	**—**	79	—
Interest cost	**236**	**472**	218	426
Benefits paid	**(155)**	**(511)**	(153)	(512)
Actuarial losses (gains)	**589**	**552**	(849)	(1,140)
Balance – end of year	**4,105**	**7,911**	3,375	7,398
Plan assets				
Fair value – beginning of year	**4,499**	**—**	5,493	—
Actual return on plan assets	**840**	**—**	(845)	—
Employee contributions	**4**	**—**	4	—
Benefits paid	**(155)**	**—**	(153)	—
Fair value – end of year	**5,188**	**—**	4,499	—
Funded status – plan surplus (deficit)	**1,083**	**(7,911)**	1,124	(7,398)
Unamortized net actuarial loss	**453**	**1,734**	395	1,246
Unamortized past service costs	**554**	**—**	711	—
Unamortized transitional asset	**(667)**	**(8)**	(833)	(17)
Accrued benefit asset (liability)	**$ 1,423**	**(6,185)**	1,397	(6,169)

The accrued pension benefit asset is included under other assets (Note 7) and the accrued pension benefit liability is included under other liabilities (Note 9).

Elements included in the benefit plan expense recognized in the year are as follows:

		2009		2008
(thousands of dollars)	**Basic Plan**	**SRPA**	Basic Plan	SRPA
Current service cost, net of employee contributions	**$ 57**	**—**	75	—
Interest cost	**236**	**472**	218	426
Actual (return) loss on plan assets	**(840)**	**—**	845	—
Difference between expected return and actual return on plan assets	**530**	**—**	(1,224)	—
Amortization of past service costs	**157**	**—**	157	—
Amortization of net actuarial losses	**—**	**63**	—	183
Amortization of transitional assets	**(167)**	**(8)**	(167)	(8)
Defined benefit plan (income) expense	**$ (27)**	**527**	(96)	601

11 CAPITAL STOCK

(thousands of dollars)	Issued shares (thousands)		2009	2008
Capital stock (unlimited number authorized at no par value):				
Class A Subordinate Voting Shares (2008 – 29,199)	29,199	**$**	**42,005**	42,005
Class B Common Shares (2008 – 3,773)	3,773		**908**	908
		$	**42,913**	42,913

The Company has also authorized an unlimited number of Class A and Class B Preferred Shares of which none are outstanding.

The Class A shares carry one vote per share and the Class B Common Shares carry ten votes per share. In the event of a vote to change any right, privilege, restriction or condition attached to either the Class A shares or Class B Common Shares, the Class B Common Shares are entitled to one vote per share. In addition, the ten votes attaching to each Class B Common Share shall be decreased to one vote 180 days following the acquisition of Class B Common Shares pursuant to a take-over bid where the ownership of Class B Common Shares, after the acquisition, exceeds 50%. In all other respects, these shares rank equally. The outstanding Class B Common Shares are convertible to Class A shares at the option of the shareholder, on a one-for-one basis.

The Company may impose restrictions respecting the issuance, transfer and voting of the Company's shares due to externally-imposed regulations more fully described under "Capital risk" in Note 14.

(a) Stock split

Effective on November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the three-for-one split.

(b) Dividends

During 2009 and 2008, the Company declared dividends of $0.10 per Class A and Class B Common Shares.

(c) Share repurchases

The Company did not repurchase for cancellation any of its outstanding shares during 2009. In 2008, pursuant to the Normal Course Issuer Bid, the Company repurchased for cancellation 300,000 of its outstanding Class A shares for a total cost of $1,805,000. As a result of these share repurchases in 2008, capital stock was reduced by $432,000 and retained earnings by $1,373,000. Subsequent to year end the Company received approval under a Normal Course Issuer Bid to repurchase up to 583,991 Class A shares and 75,453 Class B Common Shares. This bid expires February 8, 2011.

(d) Executive stock option plan

During the year, the Company granted 220,000 options (2008 – 105,000) at a weighted average exercise price of $6.52 (2008 – $6.66), pursuant to the executive stock option plan described in Note 13 (b). The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and they expire between February 24, 2014 and December 14, 2014. No options were exercised in 2009 or 2008. Contributed surplus was increased by $212,000 (2008 – $167,000) related to compensation expense.

12 CONTRIBUTED SURPLUS

(thousands of dollars)		2009	2008
Balance, beginning of year	**$**	**1,945**	1,778
Executive stock option plan compensation expense		**212**	167
Balance, end of year	**$**	**2,157**	1,945

13 STOCK-BASED COMPENSATION PLANS

(a) Share purchase plan

Compensation expense for the Company's share purchase plan was $448,000 (2008 – $445,000) and is included in operating expenses.

(b) Executive stock option plan

The number of Class A shares reserved for issuance pursuant to the executive stock option plan is 3,100,937. The number of Class A shares underlying outstanding options under the executive stock option plan is 2,590,000. 835,937 options remain available to grant. The exercise price per share is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the shares on the last trading date preceding the date of the grant or the average closing price of the preceding twenty trading days. The expiry date of the options is established by the Board of Directors. Options either vest on the date they are granted or vest over time in the following manner: twenty-five percent vest on the date of granting and twenty-five percent vest on each of the three succeeding anniversary dates.

The following summarizes the Company's outstanding stock options which expire at varying dates from 2009 to 2014 and have a weighted average remaining contractual life of 3.26 years (2008 – 3.50 years).

		2009		2008
	Number	**Price***	Number	Price*
Balance, beginning of year	**2,370,000**	**$3.60**	2,265,000	$3.23
Granted	**220,000**	**6.52**	105,000	6.66
Balance, end of year	**2,590,000**	**3.85**	2,370,000	3.60
Total options vested	**2,320,000**	**3.53**	2,186,250	3.35

*weighted average exercise price

Range of exercise price	Number of options outstanding at December 31, 2009	Weighted average remaining life	Price*	Number of options exercisable at December 31, 2009	Price*
$ 2.43 – 2.67	825,000	3.46	$ 2.64	825,000	$ 2.64
2.80 – 2.98	795,000	2.30	2.89	795,000	2.89
3.89	300,000	4.96	3.89	300,000	3.89
5.51	45,000	1.07	5.51	45,000	5.51
6.48 – 7.00	625,000	3.57	6.52	355,000	6.51
	2,590,000	3.26	3.85	2,320,000	3.53

*weighted average exercise price

The compensation expense related to stock options for 2009 was $212,000 (2008 – $167,000) and is recorded in operating expenses.

The fair value was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2009	2008
Weighted average risk-free interest rate	**2.38%**	2.94%
Dividend yield	**1.56%**	1.50%
Weighted average volatility factors of the expected market price of the Company's Class A Subordinate Voting Shares	**27.8%**	24.0%
Weighted average expected life of the options	**4.9 years**	4.9 years
Weighted average fair value per option	**$1.55**	$1.91

(c) Stock appreciation rights plan

A total of 1,745,000 Stock Appreciation Rights ("SARS" or "Rights") have been granted since 2006 at a weighted-average reference price of $5.75. The SARS' expiry dates range from March 2011 to February 2015. As at December 31, 2009, 270,000 Rights had expired and 30,000 Rights had been exercised. The Rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All Rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the year ended December 31, 2009, the compensation expense related to the Rights was $1,508,000, of which $32,000 was paid due to the exercise of SARS (2008 – recovery of $690,000). The total obligation for SARS compensation is $1,544,000, of which $1,091,000 was current (2008 – current obligation of $67,000).

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments

Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the 3-month Canadian banker's acceptance rates. The fair values of Canadian Content Development commitments approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 8.0% to 14.3%.

The following table outlines the hierarchy of inputs used in the calculation of fair value for each financial instrument:

(thousands of dollars)			Level 1	Level 2	Level 3
Description		**Total**	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Cash and bank indebtedness	**$**	**(99)**	(99)	—	—
Marketable securities		**4,923**	4,923	—	—
Accounts receivable		**23,831**	—	23,831	—
Equity total return swap receivable		**1,466**	—	1,466	—
Accounts payable and accrued liabilities		**(17,118)**	—	(17,118)	—
Long-term debt		**(57,100)**	—	(57,100)	—
CCD commitments		**(8,702)**	—	(8,702)	—
Interest rate swap payable		**(3,849)**	—	(3,849)	—

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Financial risk management

The following sections discuss the Company's risk management objectives and procedures as they relate to market risk, credit risk, liquidity risk and capital risk.

Credit risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. The maximum credit exposure approximated $25,000,000 as at December 31, 2009, which included accounts receivable and the equity total return swap receivable.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,083,000 as at December 31, 2009. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 89% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. In 2009, $1,060,000 was written off which is less than 5% of the year end receivables' balance and less than 1% of revenue.

During 2009 and as at December 31, 2009, the Company's credit exposure related to its receivables was slightly higher than in the past reporting periods due to the recent Canadian economic conditions. The Company sells advertising airtime primarily to retail customers and since their results may also be affected by the current economy, it is difficult to predict the impact this could have on the Company's receivables' balance. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which includes quoted share prices in active markets, interest rates and the Company's quoted share price as it relates to the stock appreciation rights plan.

(a) Managing risk associated with fluctuations in quoted share prices of marketable securities

The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at December 31, 2009, a 10% change in the share prices of each marketable security would result in a $400,000 after-tax change in net income.

Other income from the Company's marketable securities at December 31, 2009 was $2,719,000 and the improvement over 2008 was due to the Company's marketable securities partially recovering in value. The Company disposed of certain of the investments it held in its portfolio which triggered losses aggregating $5,343,000 for the year (2008 – $1,464,000). Unrealized gains on the remaining investments held at December 31, 2009 were $1,754,000 (2008 – total unrealized losses of $7,906,000).

(b) Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into interest rate swap agreements with Canadian Chartered Banks. The swap agreements involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The Company elected to apply hedge accounting and as such formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates.

Interest rate fluctuations would have an impact on the Company's results. A 0.5% change in the floating interest rates would have impacted the Company's consolidated net income by $35,000 for the year ended December 31, 2009. The same rate change would have impacted OCI due to changes in fair value of the interest rate swaps by approximately $600,000, after-tax.

In 2008, the Company entered into two interest rate swap agreements; one has a notional value of $15,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. Three former interest rate swap agreements were terminated prior to expiry and the fair value of those agreements ($349,000 payable) was blended into the interest rate of the new $45,000,000 swap agreement. This fair value payable is being transferred from OCI to net income (as interest expense) over the remaining term of the original three swap agreements which expired between 2009 and 2011. The before-tax amount related to the $349,000 fair value payable transferred to net income from OCI for the year was $104,000 (2008 – $168,000).

Total before-tax interest transferred for the year from OCI to net income was $757,000 (2008 – $253,000). As at December 31, 2009, the Company de-designated $10,000,000 of the $15,000,000 swap; therefore, hedge accounting no longer applies on the de-designated portion. Of the amount of pre-tax interest transferred to net income from OCI, $575,000 related to the de-designated portion. Subsequent to year-end, $5,000,000 of the $15,000,000 swap was formally terminated.

The Company has measured its own credit risk in relation to its interest rate swaps and as a result has recognized a $95,000 gain in OCI.

The aggregate fair value payable of the swap agreements was $3,849,000 (2008 – $6,796,000).

(c) Share price volatility risk management

In July 2006, the Company entered into a cash-settled equity total return swap agreement to manage its exposure to fluctuations in its stock-based compensation costs related to the SAR plan. Compensation costs associated with the SAR Plan fluctuate as a result of changes in the market price of the Company's Class A shares. The Corporation entered into this swap for a total of 1,275,000 notional Class A shares with a hedged price of $5.85. The swap expires in July 2011.

The swap includes an interest and dividend component. Interest is accrued and payable by the Company on quarterly settlement dates. Any dividends paid on the Class A shares are reimbursed to the Company on the quarterly settlement dates.

The Company elected to apply hedge accounting and in order to qualify for hedge accounting, there must be reasonable assurance that the instrument is and will continue to be an effective hedge. At the inception of the hedge and on an ongoing basis, the Company formally assesses and documents whether the hedging relationship is effective in offsetting changes in cash flows of the hedged item. Gains or losses realized on the quarterly settlement dates are recognized in net income in the same period as the SAR Plan compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

As at December 31, 2009, the Company de-designated 300,000 of the 1,275,000 notional Class A shares; therefore, hedge accounting no longer applies on the de-designated portion. Of the before-tax gains transferred from OCI to net income, $389,000 related to the de-designated portion.

The estimated fair value of the equity total return swap receivable based on the Class A shares' market price at December 31, 2009 was $1,466,000 (2008 – payable of $234,000).

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development payments, dividends and other contractual obligations that are disclosed below.

In accordance with CICA 3210 *"Long-term debt"*, long-term debt having a maturity date within the next twelve months is required to be classified as a current liability. As a result, the Company's long-term debt has been presented as current debt as at December 31, 2009. The Company was in full compliance with its bank covenants throughout the year and at year end and continues to have access to the available funds under the existing credit facilities. Management has held preliminary discussions with its lenders and has developed a timeline for the renegotiation of its credit facilities to ensure the new facilities are in place prior to expiry in June 2010. As a result, repayment of the debt is not expected and the Company does not deem its liquidity risk to be higher than previous years.

The Company's liabilities have contractual maturities which are summarized below:

Obligation (thousands of dollars)	**12 months**	2011 – 2015	Thereafter
Long-term debt	**$ 57,100**	—	—
Bank indebtedness	**99**	—	—
Accounts payable and accrued liabilities	**17,118**	—	—
Dividends	**3,297**	—	—
Income taxes payable	**6,836**	—	—
CCD commitments (NOTE 9 & 19(B))	**2,915**	7,628	106
	$ 87,365	7,628	106

Capital risk

The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that it can continue to provide adequate returns for shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares. The Directors and Senior Management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Material transactions and those considered to be outside the ordinary course of business, such as acquisitions and other major investments or disposals, are reviewed and approved by the Board of Directors.

To comply with Federal Government directions, the Broadcasting Act and regulations governing radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Restrictions include limitations over foreign ownership of the issued and outstanding voting shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with those of any such licence.

The Company is subject to certain covenants on its credit facility. The Company's debt covenants include certain maximum or minimum ratios such as total debt ratio, interest coverage and fixed charge coverage ratio. Other covenants include dividend payment restrictions, seeking prior approval for capital expenditures over a certain dollar limit, acquisitions in excess of a quantitative threshold and limits on the number of shares that can be repurchased in any given year. The Company was in compliance with the covenants throughout the year and at year end.

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at December 31, 2009.

15 PROVISION FOR INCOME TAXES

The reconciliation of income tax attributable to operations computed at the statutory rates to the Company's provision for income taxes is derived as follows:

(thousands of dollars, except percentages)		2009	2008
Statutory income tax rate		**35.0%**	35.5%
Provision based on the statutory income tax rate applied to earnings (loss) before discontinued operations	**$**	**7,154**	(292)
Increase (decrease) due to:			
Subsidiary rate differential		**(628)**	(353)
Non-taxable portion of realized and unrealized capital (gains) losses		**(916)**	1,586
Goodwill impairment loss		**—**	440
Non-deductible stock-based compensation		**74**	116
Large corporations tax and other		**749**	853
Future income tax recovery relating to the reduction of corporate income tax rates		**(396)**	—
Future income tax (recovery) expense relating to the origination and reversal of temporary differences		**(531)**	1,580
	$	**5,506**	3,930
The components of the provision for income taxes on earnings (loss) from continuing operations are as follows:			
Current tax (recovery) expense	**$**	**(682)**	1,432
Future income tax expense		**6,188**	2,498
	$	**5,506**	3,930

In 2009, certain Provincial Governments reduced general corporate income tax rates. As a result, future income tax assets and liabilities were required to be re-measured using the newly enacted tax rates that are expected to be in effect when the related future tax assets are realized and liabilities are settled.

The significant components of the Company's future income tax assets and liabilities are as follows:

(thousands of dollars)		2009	2008
Future income tax assets			
Canadian Content Development commitments	**$**	**3,480**	5,427
Tax loss carryforwards		**756**	3,184
Employee benefit plans		**1,834**	1,467
Other		**643**	2,003
Future income tax liabilities			
Property and equipment		**(2,875)**	(2,496)
Broadcast licences and goodwill		**(26,145)**	(24,527)
Net future income tax liability	**$**	**(22,307)**	(14,942)
The net future income tax liability is included under the following captions on the consolidated balance sheets:			
Short-term future income tax assets	**$**	**1,173**	4,156
Long-term future income tax assets		**2,188**	2,069
Long-term future income tax liabilities		**(25,668)**	(21,167)
	$	**(22,307)**	(14,942)

The Company recognizes as a future income tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at year end, the Company had available loss carryforwards of $2,442,000. A future income tax asset of $756,000 (2008 – $3,184,000) has been recognized in respect of these carryforwards. The available loss carryforwards will expire as follows: $2,337,000 in 2026 and $105,000 in 2028.

16 EARNINGS PER SHARE

(thousands)	**2009**	2008
Weighted average common shares used in calculation of basic earnings per share	**32,972**	33,048
Incremental common shares calculated in accordance with the treasury stock method	**1,102**	961
Weighted average common shares used in calculation of diluted earnings per share	**34,074**	34,009

17 SEGMENTED INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. This segment's revenue relates to hotel operations while the other income is investment income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note 1).

Details of segment operations are set out below. 2008 figures were restated upon adopting CICA Handbook Section 3064 – *Goodwill and Intangible Assets* as discussed in Note 2 (a). Results from the Thunder Bay reporting unit have been excluded from 2009 and 2008 figures as a result of accounting for discontinued operations as described in Note 5.

(thousands of dollars)		Broadcasting	Corporate and Other	Total
2009				
Revenue	**$**	**101,763**	**3,535**	**105,298**
Other income		**—**	**2,809**	**2,809**
		101,763	**6,344**	**108,107**
Operating expenses		**73,951**	**10,296**	**84,247**
Depreciation and amortization		**3,486**	**309**	**3,795**
Operating income (loss)	**$**	**24,326**	**(4,261)**	**20,065**
Assets employed	**$**	**214,522**	**18,331**	**232,853**
Broadcast licences		**149,641**	**—**	**149,641**
Goodwill		**7,045**	**—**	**7,045**
Capital expenditures		**3,886**	**75**	**3,961**
2008				
Revenue	$	99,811	3,571	103,382
Other income (expense)		—	(8,516)	(8,516)
		99,811	(4,945)	94,866
Operating expenses		74,909	10,856	85,765
Depreciation and amortization		3,227	322	3,549
Operating income (loss)	$	21,675	(16,123)	5,552
Assets employed	$	218,668	17,108	235,776
Broadcast licences		151,773	—	151,773
Goodwill		7,045	—	7,045
Capital expenditures		5,311	280	5,591

18 SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of dollars)		2009	2008
Change in non-cash working capital relating to operating activities from continuing operations			
Marketable securities, excluding $1,754 related to unrealized gains (2008 – unrealized losses of $7,906)	$	**1,027**	4,065
Receivables		**(371)**	(2,349)
Prepaid expenses		**188**	(1)
Accounts payable and accrued liabilities		**393**	(1,270)
Income taxes payable		**(1,883)**	1,424
	$	**(646)**	1,869
Interest paid	$	**3,515**	3,974
Income taxes paid (recovered)		**1,204**	(82)

19 COMMITMENTS AND CONTINGENCIES

(a) Operating leases and other

The Company has total commitments of $23,190,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows: 2010 – $4,330,000; 2011 – $3,280,000; 2012 – $2,940,000; 2013 – $2,475,000; 2014 – $1,930,000 and thereafter $8,235,000.

(b) New CCD commitments

During 2009, the CRTC approved several of the Company's requests to convert from the AM band to FM. Upon the launch of these conversions, the Company will become obligated for additional CCD commitments aggregating $140,000 that will be payable over the next 7 years.

(c) Legal claims

The Company and its subsidiaries are involved in various legal actions which arise out of the ordinary course and conduct of its business. Management believes any potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

ASSETS AT A GLANCE

Location	Name	Call Letters	Format	AM/FM/TV	Frequency

WESTERN REGION

Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Athabasca	94.1 The River	CKBA-FM	Classic Hits/Today's Hits	FM	94.1 MHz
Blairmore	Mountain Radio	CJPR-FM	Country	FM	94.9 MHz
Bonnyville	KOOL-FM	CJEG-FM	Contemporary Hit Radio	FM	101.3MHz
Brooks	Q13	CIBQ	Country	AM	1340 kHz
Brooks	The Fox	CIXF-FM	Classic Hits	FM	101.1 MHz
Calgary	AMP 90.3 FM	CKMP-FM	CHR/Top 40	FM	90.3 MHz
Calgary	XL-103 FM	CFXL-FM	Classic Hits	FM	103.1 MHz
Camrose	CAM-FM	CFCW-FM	Classic Hits	FM	98.1 MHz
Camrose	CFCW	CFCW	Country	AM	790kHz
Cold Lake	K-Rock/Lakeland	CJXK-FM	Classic Rock	FM	95.3 MHz
Drumheller	Q91	CKDQ	Country	AM	910 kHz
Edmonton	Capital FM	CKRA-FM	Greatest Hits	FM	96.3 MHz
Edmonton	K-97	CIRK-FM	Classic Rock	FM	97.3 MHz
Edson	The Fox Radio Group	CFXE-FM	Classic Hits/Today's Hits	FM	94.3 MHz
Elkford	Mountain Radio	CJEV®	Country	AM	1340 kHz
Fort McMurray	K-Rock 100.5	CHFT-FM	Classic Rock	FM	100.5 MHz
Grande Cache	The Fox Radio Group	CFXG®	Classic Hits/Today's Hits	AM-1	1230 kHz
High Prairie[2]	The Fox Radio Group	CKVH	Classic Hits/Today's Hits	FM	93.5 MHz
Hinton	The Fox Radio Group	CFXH-FM	Classic Hits/Today's Hits	FM	97.5 MHz
Jasper	The Fox Radio Group	CFXP-FM®	Classic Hits/Today's Hits	FM	95.5 MHz
Lac La Biche	Big Dog	CILB-FM	Classic Hits	FM	103.5 MHz
Lloydminster	CILR	CILR-FM	Tourism Information	FM	98.9 MHz
Lloydminster	Lloyd-FM	CKSA-FM	Country	FM	95.9MHz
Lloydminster	CBC	CKSA-TV	CBC	TV	
Lloydminster	CTV	CITL-TV	CTV	TV	
Pincher Creek	Mountain Radio	CJPV-FM®	Country	FM	92.7 MHz
Red Deer	KG Country 95.5	CKGY-FM	Country	FM	95.5 MHz
Red Deer	Z99-FM	CIZZ-FM	Album Oriented Rock	FM	98.9 MHz
Slave Lake	The Fox Radio Group	CHSL-FM	Classic Hits	FM	92.7 FM
St. Paul[2]	1310 Cat Country	CHLW	Country	FM	97.7 MHz
Stettler	Q14	CKSQ	Country	AM	1400 kHz
Wainwright	Key 83	CKKY	Country	AM	830 kHz
Wainwright	Wayne-FM	CKWY-FM	Classic Hits	FM	93.7 MHz
Westlock[2]	The Fox Radio Group	CFOK	Classic Hits/Today's Hits	AM	1370 kHz
Wetaskiwin	W 1440	CKJR	Oldies	AM	1440 kHz
Whitecourt	The Rig 96.7	CFXW-FM	Rock	FM	96.7 MHz

CENTRAL REGION

Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Ottawa	Hot 899	CIHT-FM	Contemporary Hit Radio	FM	89.9 MHz
Ottawa	LiVE 88.5 FM	CILV-FM	Alternative Rock	FM	88.5 MHz
Sudbury	Big Daddy	CHNO-FM	Classic Hits	FM	103.9 MHz
Sudbury	Hot 93.5	CIGM-FM	Contemporary Hit Radio	FM	93.5 MHz
Winnipeg	Hank-FM	CHNK-FM	Country	FM	100.7 MHz
Winnipeg	CKJS	CKJS	Multi-cultural	AM	810 kHz

Location	Name	Call Letters	Format	AM/FM/TV	Frequency

EASTERN REGION

Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Charlottetown	K-Rock	CKQK-FM	Classic Rock	FM	105.5 MHz
Charlottetown	Ocean 100	CHTN-FM	Classic Hits	FM	100.3 MHz
Elmira[1]	K-Rock®	CKQK-FM1	Classic Rock	FM	103.7 MHz
Elmira[1]	Ocean 100®	CHTN-FM1	Classic Hits	FM	99.9 MHz
St. Edwards[1]	K-Rock®	CKQK-FM2	Classic Rock	FM	91.1MHz
St. Edwards[1]	Ocean 100®	CHTN-FM2	Classic Hits	FM	89.9 MHz
Halifax	96.5 KOOL-FM	CKUL-FM	Classic Hits	FM	96.5 MHz
Halifax	Q104	CFRQ-FM	Current and Classic Rock	FM	104.3 MHz
Kentville	K-Rock 89.3	CIJK-FM	Classic Rock	FM	89.3 MHz
Sydney	The Giant 101.9	CHRK-FM	Contemporary Hit Radio	FM	101.9 MHz
Fredericton	Fred-FM	CFRK-FM	Classic Hits	FM	92.3MHz
Moncton	C103	CJMO-FM	Classic Rock	FM	103.1 MHz
Moncton	XL96	CJXL-FM	Hot Country	FM	96.9 MHz
Baie Verte	CKIM	CKIM®	News/Talk/Country	AM	1240 kHz
Carbonear	KIXX Country	CHVO-FM	Country	FM	103.9 MHz
Churchill Falls	Radio Labrador	CFLC-FM®	News/Talk/Adult Contemporary	FM	97.9 MHz
Clarenville	K-Rock	VOCM-FM1®	Classic Rock	FM	100.7 MHz
Clarenville	CKVO	CKVO	News/Talk/Country	AM	710 kHz
Corner Brook	CFCB	CFCB	News/Talk/Country	AM	570 kHz
Corner Brook	K-Rock	CKXX-FM	Classic Rock	FM	103.9 MHz
Deer Lake	CFDL	CFDL-FM®	News/Talk/Country	FM	97.9 MHz
Gander	VOCM Radio Network	CKGA	News/Talk/Country	AM	650 kHz
Gander	K-Rock	CKXD-FM	Classic Rock	FM	98.7 MHz
Grand Falls	VOCM Radio Network	CKCM	News/Talk/Country	AM	620 kHz
Grand Falls-Windsor	K-Rock	CKXG-FM	Classic Rock	FM	102.3 MHz
Grand Falls-Windsor	K-Rock	CKXG-FM1®	Classic Rock	FM	101.3 MHz
Goose Bay[2]	Radio Labrador	CFLN	News/Talk/Adult Contemporary	FM	97.9 MHz
Marystown	CHCM	CHCM	News/Talk/Country	AM	740 kHz
Port aux Basques	CFGN	CFGN®	News/Talk/Country	AM	1230 kHz
Port au Choix	CFNW	CFNW®	News/Talk/Country	AM	790 kHz
St. Andrews	CFCV	CFCV-FM®	News/Talk/Country	FM	97.7 MHz
St. Anthony	CFNN	CFNN®	News/Talk/Country	FM	97.9 MHz
St. John`s	590 VOCM	VOCM	News/Talk/Country	AM	590 kHz
St. John`s	Radio Newfoundland	CJYQ	Newfoundland Music	AM	930 kHz
St. John`s	HITS-FM	CKIX-FM	Contemporary Hit Radio	FM	99.1 MHz
St. John`s	K-Rock	VOCM-FM	Classic Rock	FM	97.5 MHz
Stephenville	CFSX	CFSX	News/Talk/Country	AM	870 kHz
Stephenville	K-Rock	CKXX-FM1®	Classic Rock	FM	95.9 MHz
Wabush[2]	Radio Labrador	CFLW®	News/Talk/Adult Contemporary	FM	94.7 MHz

® Repeating Signal

[1] New licence awarded by CRTC in 2009

[2] The Company has received approval to convert this station to FM

BOARD OF DIRECTORS

Harry R. Steele, O.C.

Dartmouth, Nova Scotia
Director since 1972
Chairman of the Board of Directors

Harry Steele was Chairman and Chief Executive Officer of Newfoundland Capital Corporation Limited from 1993 to 2002. Prior to 1993, and since the inception of the Company, Mr. Steele served as President. In 2002, Mr. Steele stepped down as CEO and presently continues in his role as Chairman of the Board. Mr. Steele was appointed an Officer of the Order of Canada in 1992.

Robert G. Steele

Halifax, Nova Scotia
Director since 1997
President and Chief Executive Officer

Robert Steele was appointed President and Chief Executive Officer of Newfoundland Capital Corporation Limited on May 1, 2002 after having served as President and Chief Operating Officer from March 1, 2001 and having been a member of the Board of Directors since 1997. Prior to joining the Company, Mr. Steele built one of the most diversified auto groups in Atlantic Canada, consisting of fourteen dealerships. He is currently a member of the Young Presidents Organization and is actively involved in several local charitable groups.

Donald J. Warr, F.C.A.[1]

St. John's, Newfoundland and Labrador
Director since 1995
Partner, Blackwood & Warr

Don Warr is partner in a Newfoundland and Labrador accounting firm, Blackwood & Warr, Chartered Accountants. He obtained his designation as a Chartered Accountant in 1970. Prior to starting his own practice in 1992, Mr. Warr was a tax partner with a large national accounting firm. Mr. Warr was President of the Newfoundland and Labrador Institute of Chartered Accountants and was awarded the designation of F.C.A. in 1983 for outstanding service to the profession and the community.

David I. Matheson, Q.C.[1]

Toronto, Ontario
Director since 2004 (and from 1986 and 1998)
Barrister and Solicitor

David Matheson conducts a corporate and international legal practice and the services of the Matheson Global Advisory Group as its managing Director from the Toronto office of McMillan LLP, after having been a partner at McMillan LLP for many years. He has a Bachelor of Commerce degree, with a major in accounting, and a Law degree from Dalhousie University. He specialized as a tax lawyer and worked extensively with the accounting profession in tax reform and on financial reporting issues for tax purposes. He has an extensive corporate and corporate governance practice, nationally and internationally. He has served and continues to serve as a Director, a chairman and member of the audit and governance committees for various public companies. He has written and spoken extensively, nationally and internationally, on tax-related financial reporting, corporate governance and securities law compliance. He has a very comprehensive knowledge of the Company's financial affairs and internal control and systems.

Michael (Mickey) C. MacDonald[1]

Halifax, Nova Scotia
Director since 2006
Micco Developments,
President and Chief Executive Officer

Mickey MacDonald is a well-known entrepreneur whose business interests are diversified across many industries including automotive leasing, retail, food and beverage, fitness, commercial and residential custom tile sales, and residential land development. In 2005 Saint Mary's University presented Mr. MacDonald with an Honorary Doctor of Commerce. Mr. MacDonald has won numerous business and personal awards including the 2008 Nova Scotia Humanitarian of the Year, 2005 Nova Scotia Philanthropist of the Year, 2004 Newfoundland Philanthropist of the Year, Ernst and Young Entrepreneur of the Year, Halifax Chamber of Commerce Business Person of the Year and was among the Top 50 CEO's in Atlantic Canada for five years in a row.

[1]Member of the Audit and Governance Committee

CORPORATE **GOVERNANCE**

Corporate governance is instrumental for the effective management of the Company. Newfoundland Capital Corporation Limited strives to not only meet current corporate governance standards; but also, to exceed current practices of transparency, integrity and duty of care. Good corporate governance is fundamental to the long-term success of the Company.

The Audit and Governance Committee, in conjunction with leadership provided by the Board of Directors, is continuously updating its corporate governance practices so that the Company is in compliance with all applicable requirements. On an annual basis a formal review of all corporate governance-related policies, mandates, position descriptions and the like is undertaken and improvements are made as considered necessary. Our corporate governance practices are disclosed in the Company's Management Proxy Circular.

Our commitment to transparency, integrity, and duty of care are as follows:

FINANCIAL LITERACY

All of our Audit and Governance Committee members are independent and financially literate.

CODE OF ETHICS

The Company has a written Code of Business Conduct and Ethics ("Code") which is reviewed and updated at least annually. Every year, all employees, Directors and certain consultants must read and acknowledge in writing their understanding of the Code. The overall goal of the Code is to deter wrongdoing and promote honest and ethical conduct throughout our organization.

POLICY ON CORPORATE GOVERNANCE

Our policy on corporate governance formalizes the principal corporate governance applications and practices of the Company.

WHITSTLEBLOWER POLICY

A whistleblower policy and procedure is in place that allows persons to report a complaint or concern regarding accounting or audit matters, or behaviour or acts that are inconsistent with the Company's Code.

DISCLOSURE COMMITTEE

A Disclosure Committee is in place and it is charged with ensuring that communications with the investing community meet the standards of timely, factual and accurate information. A formal policy on Corporate Disclosure, Confidentiality and Insider Trading supports this Committee's activities and is reviewed annually and updated when required.

ESTABLISHED MANDATES

Mandates have been established for the Board of Directors, the Audit and Governance Committee, the Disclosure Committee, the respective Chairpersons, and the President and Chief Executive Officer. Position descriptions for senior officers, including individuals who perform senior officer functions, are formalized and used to assess their performance. These are reviewed annually and are updated as required.

For further details on our corporate governance practices, please visit our web site at www.ncc.ca.

CORPORATE **INFORMATION**

Officers and Management

Robert G. Steele
President and Chief Executive Officer

David J. Murray
Chief Operating Officer

Scott G.M. Weatherby
Chief Financial Officer and Corporate Secretary

Linda A. Emerson
Assistant Corporate Secretary

Scott Broderick
Vice-President, Central Operations

Kim Day
Vice-President, Finance

Mike Keller
Vice-President, Industry Affairs

Mike Fawcett
Vice-President, Engineering

Steve Jones
Vice-President, Programming

Randy Lemay
Vice-President, Alberta Operations

Philip Reid
Vice-President, Administration

Ron Ryan
Vice-President, Atlantic Operations

Glenda Spenrath
Vice-President, Operations & Regulatory Affairs

John Steele
President, Newfoundland and Labrador Operations

Transfer agent and registrar
The transfer agent and registrar for the shares of the Company is the CIBC Mellon Trust Company at its offices in Halifax and Toronto.

For shareholder account inquiries:
Telephone: 1-800-387-0825 (toll free in North America)
e-mail: inquiries@cibcmellon.com
or write to: Newfoundland Capital Corporation Limited
c/o CIBC Mellon Trust Company,
P.O. Box 7010 Adelaide Street Postal Station,
Toronto, ON M5C 2W9

Investor relations contact
Institutional and individual investors seeking financial information about the Company are invited to contact Scott G.M. Weatherby, Chief Financial Officer and Corporate Secretary.

Address:
Newfoundland Capital Corporation Limited
745 Windmill Road
Dartmouth, Nova Scotia
Canada B3B 1C2
Telephone: 902-468-7557
e-mail: investorrelations@ncc.ca
web: www.ncc.ca

Stock exchange listing and symbols
The Company's Class A Subordinate Voting Shares and Class B Common Shares are listed on the Toronto Stock Exchange under the symbols NCC.A and NCC.B

Auditors
Ernst & Young LLP

Bankers
The Bank of Nova Scotia

Annual meeting
The Annual General Meeting of Shareholders will be held at 11:00 a.m., Wednesday, May 5, 2010 in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, NS.

Newfoundland Capital Corporation Limited
745 Windmill Road
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