Newfoundland Capital Corporation Limited

2011 Annual Report

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Newfoundland Capital Corporation Limited
("the Company" or "Newcap Radio") owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 83 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. The Company employs approximately 800 of the best radio professionals across the country. 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. Newfoundland Capital Corporation Limited trades on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

Scorecard

GOAL - GROWTH BY MAXIMIZING RETURNS FROM EXISTING ASSETS

How	Why	2011 Results
Provide relevant and compelling programming to capture listenership	Creates goodwill in the communities served; ensures listener needs are met; and increases profitability	Maintained ratings momentum in many of our rated markets which increases market share and revenue
Continuous research to ensure the needs of listeners are met and to ensure ratings and market share are increased		Continued to monitor stations and performed research to proactively manage and protect ratings positions
Increase revenue by offering innovative advertising campaigns and manage costs effectively to drive higher EBITDA margins		Delivered record operating results with increased EBITDA margins in 2011

GOAL - GROWTH BY NEW LICENCES & CONVERSIONS

How	Why	2011 Results
Apply for new licences through the CRTC application process	Increases the asset value of the Company; helps reach a larger audience base; and garners a larger market presence for the benefit of advertisers	Awaiting CRTC decisions on two new licence applications and have submitted other new licence applications
Apply for AM to FM station conversions		Converted and launched four FM stations in Brooks, Grande Cache, Westlock and St. Paul, AB, received approval to convert CKSQ in Stettler, AB
Apply for repeater licences to serve more listeners		Launched two repeater licences in North West River and Springdale, NL

GOAL - GROWTH BY ACQUISITION

How	Why	2011 Results
Explore all acquisition opportunities that meet our investment criteria	Translates into immediate new cash flows	Sought out and acquired two stations in the very prosperous area of the Okanagan Valley, BC

LETTER TO SHAREHOLDERS

Since the Company began in the broadcasting industry over 25 years ago, it has steadily grown and has achieved great success. Now with 83 licences across Canada, the Company posted its highest ever operating results in its history. This has been quite an accomplishment especially since the broadcasting industry as a whole in Canada has experienced low growth rates in recent years.

2011 – A RECORD YEAR

In 2011, we posted record operating results. Consolidated revenue of $127 million was 9% better than last year while EBITDA of $35 million was 34% higher than 2010, which was a record in itself. Profit for the year was $26 million, more than twice as high as last year.

In December 2011, the Board of Directors approved an increase in dividends which was a direct result of the successful 2011 financial results. This is consistent with our commitment to deliver returns to our shareholders.

THE BROADCASTING SEGMENT - CORE SUCCESS

The Broadcasting segment posted record revenue. At an organic growth rate of 9% the Company has considerably outpaced the radio industry which posted revenue growth of only 2% in 2011.

While certain specific stations, such as those in Calgary, Edmonton, Newfoundland and Labrador, and Ottawa, were responsible for a large portion of the overages, each station contributed to our success in 2011. The management team and employees fully understand and value the Company's objectives, are in tune with the Company's culture, and are keenly aware of the key success factors that help drive profit year after year.

Again in 2011 we enjoyed excellent audience ratings success. In the most recent ratings results, published in December 2011, Newcap Radio was #1 or #2 in 11 of the 13 markets it was surveyed in. These kinds of ratings results correlate directly with increased market share and increased revenue and are a true testament to our understanding of our markets, our listeners and our advertisers.

We attribute our success to a proven and disciplined strategy to grow the Company organically by maximizing returns on existing assets, by reducing costs, by improving listener satisfaction and increasing market share, by widening our reach and by serving the communities in which we operate.

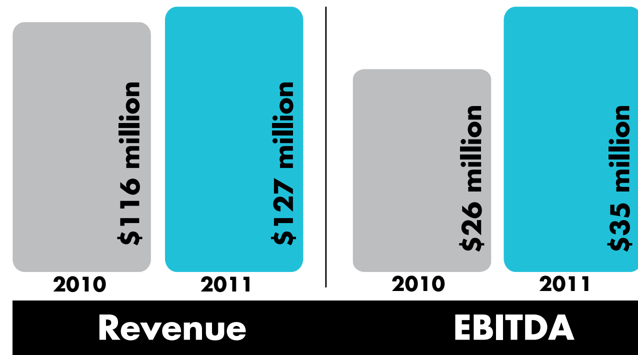
FUTURE OF RADIO

Radio is well positioned for the future. It has always been wireless and is very mobile. In this wireless and digital age, radio competes proficiently with emerging technologies. What makes radio so compelling is that it is fiercely local, connecting with the community and connecting the community with important local news and information as it happens. No other medium can replicate radio's local and immediate reach.

EXPANSION AHEAD

In addition to our operational successes we have reduced our debt providing capacity to focus on acquisitions and other expansionary activities.

The Company received approval from the Canadian Radio-television and Telecommunications Commission ("CRTC") to proceed with its acquisition of FM broadcast licences in Kelowna and Penticton, British Columbia. This will be the Company's first originating radio operations in BC making us the only true national "Coast-to-Coast Broadcaster". In addition to this acquisition, the Company has applications for new



FM licences to serve Fredericton and Miramichi, New Brunswick and Toronto, Ontario.

The Company is actively pursuing opportunities that fit the Company's expansion criteria, either through the CRTC licencing process or through business acquisitions.

2012 OUTLOOK

Forward revenue bookings are looking positive thus far for 2012. Operationally, the Company is solid and has a clear focus on what is required to drive results. Financially, the Company is in great shape to not only continue to grow organically; but also to be able to finance and absorb expansionary growth.

Our success in recent years is no accident, the management team and employees are some of the most talented in the industry. We commend our talented professionals who have contributed significantly to the success of the Company. We also want to extend our thanks to our long-term shareholders for their interest in the Company and to our Board of Directors who demonstrate excellent leadership and continued support.

Sincerely,

Rob Steele
President and Chief Executive Officer

Harry Steele
Chairman

HOT in Central

Hot 89.9 in Ottawa remained the #1 favourite station in the Capital city and had a record-breaking year in revenue and EBITDA.

In the summer of 2011, Hot 89.9 garnered tremendous local, national and international publicity with its "Win A Baby Contest". While controversial, the contest saw 5 lucky couples win fertility treatments. One of the winners said: "It's a chance to have a child; you can't put words to that."

Hot 93.5 in Sudbury enjoyed its most successful ratings results in 2011, finishing as the #1 ranked station overall with almost 22% of the market share in the 25–54 adults demographic group.

Amped in ALBERTA

In Calgary, the two FM stations, 90.3 AMP Radio and XL 103, had their best year in their history growing revenue by 41% and EBITDA by 73%, the largest year-over-year increases in the Company in 2011.

Red Deer's KG Country station was awarded Canadian Radio Station of the Year (secondary market) by the Canadian Country Music Association in 2011. In addition to that honour, for the third year in a row the morning show hosts of KG Country were chosen Canadian On-Air Personalities of the Year.

One of the most challenging events the Company endured in 2011 was the fire that destroyed over one third of the community of Slave Lake. Newcap Radio's 92.7 "The Lake" FM was not spared. While the studios were lost, employees from across Alberta North-West rose above and beyond anyone's expectations and within 24 hours the station was broadcasting live, allowing the on-air team to disseminate information to those most impacted by the fire. 92.7 The Lake FM was a lifeline to the community and remains "the spirit of Slave Lake".

EASTERN feats

Newfoundland & Labrador stations enjoyed one of their most successful financial years ever with revenue growth of 8% and a 19% EBITDA increase. These properties are the largest revenue contributors in the Company.

In addition to the above financial milestones, in October 2011, VOCM (Voice of the Common Man) celebrated its 75th year broadcasting in Newfoundland & Labrador.

In Charlottetown, PEI one of the Company's stations was re-branded and re-launched as HOT 105.5 in early 2012. HOT 105.5 is PEI's #1 Hit Music Station and is branded like the Company's other HOT stations in Central Canada, which have been tremendously successful.

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MANAGEMENT'S DISCUSSION & ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the annual audited consolidated financial statements and related notes, prepared as of March 9, 2012.

These documents along with the Company's Annual Information Form, its Management Information Circular 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. This information is also available on the Company's website at www.ncc.ca.

As noted under the "Adoption of International Financial Reporting Standards ("IFRS")" section, Canadian Generally Accepted Accounting Principles ("GAAP"), which were previously used in preparing the Company's consolidated financial statements, have been replaced by IFRS following their adoption on January 1, 2011. The Company's consolidated financial statements for the year ended December 31, 2011 have therefore been prepared in accordance with IFRS, including 2010 comparative figures which have been restated.

All amounts herein are expressed in Canadian dollars. The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on March 9, 2012. Disclosure contained in this document is current to this date, unless otherwise stated.

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, Uncertainties 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 owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 83 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. It 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 66 FM and 17 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in to our stations at anytime from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

SIGNIFICANT 2011 FINANCIAL HIGHLIGHTS

For the second year in a row, the Company delivered one of its best years on record, posting significant revenue growth in its core operating segment. The Company outpaced the industry, growing revenue by 9% while the industry posted growth of only 2%. Consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") was up 34% and the broadcasting segment EBITDA margin was one of the highest the Company has ever posted since focusing purely on broadcasting.

- 9% increase in consolidated revenue, due to organic growth in the broadcasting segment.
- 34% increase in consolidated EBITDA[1].
- Profit more than doubled due to operational success as well recoveries of previously recognized non-cash impairment charges.
- In December the Company announced a 50% increase in its semi-annual dividend payment bringing the total declared for 2011 to $0.15 per share.
- The Company repurchased 1,388,072 of its outstanding Class A shares for $8.7 million.
- Long-term debt decreased by $13.0 million and the credit facility was refinanced in July 2011 to increase the borrowing capacity from $76.5 million to $90.0 million.

[1] *Refer to page 32 for the reconciliation of EBITDA to net income.*

SIGNIFICANT 2011 OPERATIONAL HIGHLIGHTS

The Company continues to expand and grow its asset base and focus on improving operations.

- Subsequent to year end, the Company received approval to acquire FM radio stations in Kelowna and Penticton, British Columbia for cash consideration of approximately $7.0 million. This transaction closed at the end of February.
- Subsequent to year end, the Company attended hearings related to its applications for new FM licences in Miramichi and Fredericton, New Brunswick. Decisions by the Canadian Radio-television Telecommunications Commission ("CRTC") are expected later in 2012.
- Subsequent to year end, the Company received approval from the CRTC for the AM to FM conversion in Stettler, Alberta.
- The Company ranked #1 or #2 in 11 of its 13 surveyed markets in the December 2011 listener ratings results.
- In November 2011, the Company disposed of its radio stations in Winnipeg, Manitoba for cash consideration of approximately $5.7 million.
- In May 2011, the Company's Slave Lake, Alberta operation was destroyed by fire. Within 24 hours, Lake-FM was broadcasting temporarily from an outside location disseminating information to those most impacted by the fire. Today, Lake FM is broadcasting from new facilities, assisting in whichever way it can to rebuild the community.
- Conversions from AM to FM stations were completed in Brooks, St. Paul, Westlock and Grand Cache, Alberta throughout 2011.
- The Company launched repeater licences in North West River and Springdale, Newfoundland & Labrador during the year.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Canada's Accounting Standards Board ("AcSB") required that all Canadian publicly accountable profit-oriented enterprises use IFRS for fiscal years beginning on or after January 1, 2011. Prior to this date, the Company used Canadian Generally Accepted Accounting Principles ("GAAP"). The Company has adopted IFRS for its year ended December 31, 2011, with restatement of 2010 comparative figures. The IFRS transition date was January 1, 2010.

Significant accounting policies under IFRS are disclosed in note 3 of the Company's audited consolidated financial statements.

In note 22 of the audited consolidated financial statements, full disclosure can be found of all adjustments made by the Company in preparingits IFRS opening consolidated statement of financial position as at January 1, 2010 and as at December 31, 2010, and in restating its previously published GAAP consolidated income statement, consolidated statement of other comprehensive income, and consolidated statement of cash flows for the year ended December 31, 2010. Note 22 of the audited consolidated financial statements also discloses the exemptions the Company chose when applying IFRS 1 First-time Adoption of International Financial Reporting Standards.

A brief summary of the IFRS 1 exemptions the Company applied are as follows:

- no restatement of business combinations that occurred prior to January 1, 2010;
- recognition in retained earnings of all unrecognized cumulative actuarial gains or losses and vested past service costs arising from the Company's defined benefit pension plans; and
- no retrospective application of IFRS 2 Share-based Payments to its equity instruments granted before November 7, 2002 nor to any granted after November 7, 2002 that had vested by January 1, 2010.

In summary, while there were many changes in numbers relating to financial results and financial position, the adoption of IFRS did not result in material changes to EBITDA or profit. Shareholders' Equity as at January 1, 2010 increased by $5.1 million and as at December 31, 2010 increased by $6.1 million which is the net effect of all transitional adjustments as disclosed in note 22(j) of the audited consolidated financial statements. Some of the most note-worthy adjustments to Shareholders' Equity arose from the changes in carrying value of broadcast licences and the related deferred tax balances. Complete details on the Company's transition to IFRS are included in note 22 of the consolidated financial statements.

Financial information contained in the MD&A for 2010 and 2011 are comparative because the Company restated 2010 to be in accordance with IFRS. Financial information prior to January 1, 2010 was not restated as this was not required under the transition rules. Where historical information is presented in the MD&A that has not been restated to IFRS, it has clearly been noted as such.

FINANCIAL PERFORMANCE REVIEW

Selected Financial Highlights

Since 2009, revenue has grown by 22% and this was predominantly due to organic growth in the broadcasting segment. Below are some of the other significant factors that affected profit from continuing operations between 2009 and 2011:

- 2009 - The Company recorded a $5.6 million gain on disposal of a broadcasting licence.
- 2010 - The Company recorded a broadcast licence impairment charge of $1.2 million.
- 2011 - In addition to the Company's considerable operational success in 2011, the Company reversed broadcast licence impairment charges by $5.8 million, recognized $1.3 million of mark-to-market investment gains and recognized a $1.3 million gain on the disposal of the Winnipeg stations.

Due to the disposal of broadcasting assets in Winnipeg, Manitoba on November 28, 2011, the financial results of operations from this component and its gain on disposal were treated as discontinued operations. The results for 2009 also reported discontinued operations because of the disposal of broadcasting assets in Thunder Bay, Ontario. The impact of discontinued operations was to reduce revenue by $1.3 million in 2011, $1.4 million in 2010 and $3.7 million in 2009 and to reduce profit from continuing operations by $3.6 million in 2011, and to increase profit from continuing operations by $0.3 million in 2010 and $0.1 million in 2009.

Selected Financial Highlights

(thousands of Canadian dollars, except share data)		**2011**	2010	2009
Revenue	**$**	**126,606**	116,041	103,803
Profit from continuing operations		**22,615**	11,898	15,434[1]
Profit		**26,112**	11,629	15,366[1]
Weighted average number of outstanding shares				
- basic (thousands)		**30,397**	32,729	32,972
- diluted (thousands)		**31,532**	33,916	34,074
Earnings per share				
Profit from continuing operations				
- basic		**0.74**	0.36	0.47[1]
- diluted		**0.72**	0.35	0.45[1]
Profit				
- basic		**0.86**	0.35	0.47[1]
- diluted		**0.83**	0.34	0.45[1]
Total assets		**233,940**	231,388	231,979
Long-term debt, including current portion		**40,211**	53,158	57,100
Dividends declared				
Class A shares		**0.15**	0.12	0.10
Class B shares		**0.15**	0.12	0.10

[1] These 2009 comparative figures are based on Canadian Generally Accepted Accounting Principles.

Consolidated Financial Results of Operations

For the second year in a row, the Company's consolidated financial results of operations posted significant growth and exceeded industry-wide performance.

(thousands of Canadian dollars, except per share data and percentages)	Three months ended December 31			Twelve months ended December 31		
	2011	2010	% change	**2011**	2010	% change
Revenue	**$ 34,700**	31,839	9%	**$ 126,606**	116,041	9%
Operating expenses	**24,054**	23,034	4%	**91,351**	89,785	2%
EBITDA	**10,646**	8,805	21%	**35,255**	26,256	34%
Depreciation and amortization	**1,021**	937	9%	**3,947**	3,787	4%
Interest expense	**934**	1,002	(7%)	**4,300**	3,639	18%
Accretion of other liabilities	**58**	129	(55%)	**447**	671	(33%)
	8,633	6,737	28%	**26,561**	18,159	46%
Other income	**1,070**	312	n/a	**1,487**	158	n/a
Broadcast licence impairment reversal (charge)	**2,911**	(1,161)	n/a	**2,911**	(1,161)	n/a
Profit from continuing operations before provision for income taxes	**12,614**	5,888	114%	**30,959**	17,156	80%
Provision for income taxes	**3,217**	1,959	64%	**8,344**	5,258	59%
Profit from continuing operations	**9,397**	3,929	139%	**22,615**	11,898	90%
Profit (loss) from discontinued operations	**3,578**	(19)	n/a	**3,497**	(269)	n/a
Profit	**$ 12,975**	3,910	232%	**$ 26,112**	11,629	125%
EPS[1] from continuing operations						
– basic	**$ 0.31**	0.12		**$ 0.74**	0.36	
– diluted	**0.30**	0.12		**0.72**	0.35	
EPS – basic	**$ 0.43**	0.12		**$ 0.86**	0.35	
– diluted	**0.41**	0.12		**0.83**	0.34	

[1] *EPS defined as earnings per share*

ANALYSIS OF CONSOLIDATED RESULTS

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

Revenue

Consolidated revenue of $34.7 million in the fourth quarter improved by 9% or $2.9 million and for the year ended December 31, 2011, consolidated revenue of $126.6 million was 9% or $10.6 million higher than 2010. This improvement came principally from organic growth in the broadcasting segment.

Operating Expenses

Consolidated operating expenses for the fourth quarter were $24.1 million, 4% or $1.0 million higher than 2010 while for the year ended December 31, 2011, they were $91.4 million, 2% or $1.6 million higher. The year-to-date increase over last year's comparable period appears low for two main reasons. First, in 2011 the Company had lower net corporate expenses due to its executive compensation hedge reducing compensation expense by $1.1 million, fully described in the "Corporate and Other Segment". Second, the 2010 results included copyright fee expenses of $1.8 million which related to prior periods, fully described under "Broadcasting Segment".

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

Fourth quarter consolidated EBITDA was $10.6 million, 21% or $1.8 million better than last year while year-to-date EBITDA of $35.3 million was 34% or $9.0 million higher. Excluding the impact of the two items discussed under operating expenses above, EBITDA is still significantly better than 2010 - a 22% increase. These improvements were primarily a result of revenue increases along with the aforementioned operating expense variances. More detailed analysis can be found in the "Financial Review by Segment" section.

Depreciation and Amortization

Depreciation and amortization expense was $1.0 million in the quarter, 9% or $0.1 million higher than 2010, while year-to-date depreciation and amortization of $3.9 million was 4% or $0.2 million higher than last year. These increases were not significant overall and were a result of a higher asset base in 2011.

Interest Expense

Interest expense in the quarter was $0.9 million, $0.1 million or 7% lower than 2010 because of lower interest rates and a lower debt balance. Year-to-date interest was $4.3 million, $0.7 million or 18% higher than last year as a result of higher average debt balances due to share repurchases during the first half of this year.

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 $0.1 million and $0.4 million year-to-date was lower than the respective comparative periods as a result of the expense being higher in the initial years of payment.

Other Income

Other income relates primarily to investment income and consists of realized and unrealized gains and losses related to the Company's investment portfolio of marketable securities, interest, dividends, distributions from investments and other miscellaneous items. Other income was $1.1 million in the quarter, $0.8 million higher than the same period last year almost entirely attributable to higher mark-to-market unrealized gains. Year-to-date other income of $1.5 million was $1.3 million higher than the prior year because of higher net portfolio unrealized gains and insurance proceeds. In 2011, the Company suffered equipment and property damages and losses in the broadcasting segment resulting in the recognition of insurance proceeds of almost $0.6 million.

Broadcast Licence Impairment Reversal (Charge)

In 2011, as a result of conducting the annual intangible asset impairment test, the Company reversed a portion of previous broadcast licence impairment charges, from continuing operations, in the amount of $2.9 million. Fairly significant financial improvements in cash-generating units ("CGU's"), particularly in Alberta, as well as the lower outlook for interest rates, were the reason for the impairment reversals. An additional $2.9 million of impairment charges were reversed as a result of the sale of the Winnipeg radio stations and this has been presented in profit from continuing operations (detailed information is contained in note 7 of the Company's annual audited consolidated financial statements). In 2010, the Company recorded impairment charges of $1.2 million, due to CGU's in Alberta where lower than expected results had been experienced due to a general economic decline, which has since improved.

Detailed information on broadcast licences, CGU's and impairment results can be found in note 6 of the Company's annual audited consolidated financial statements.

Provision for Income Taxes

The provision for income taxes was higher than 2010 due to higher pre-tax earnings. The effective income tax rate was 26% in the fourth quarter and 27% for the year. The effective tax rates were lower than the 32.5% statutory rate primarily because of the lower effective rates for the Company's wholly-owned subsidiaries. A more detailed analysis can be found in note 15 of the Company's annual audited consolidated financial statements.

Discontinued Operations

The Company disposed of its net assets associated with the two FM radio stations located in Winnipeg, Manitoba and therefore,the financial results of operations from this component and the gain on its disposal were treated as discontinued operations in the consolidated income statement. Refer to note 7 of the Company's annual audited consolidated financial statements for additional details on discontinued operations.

Profit

Profit for the fourth quarter of $13.0 million was $9.1 million higher than the same quarter last year while year-to-date profit of $26.1 million was $14.5 million higher than 2010. While improved revenue contributed to these increases, a portion was due to the $5.8 million reversal of previously recognized broadcast licence impairment charges as well as the $1.3 million gain on sale of the Winnipeg stations and $1.3 million of mark-to-market unrealized investment gains. The current year impairment recoveries of $2.9 million in continuing operations and $2.9 million in discontinued operations were in contrast to impairment charges of $1.2 million in 2010.

Other Comprehensive Income ("OCI")

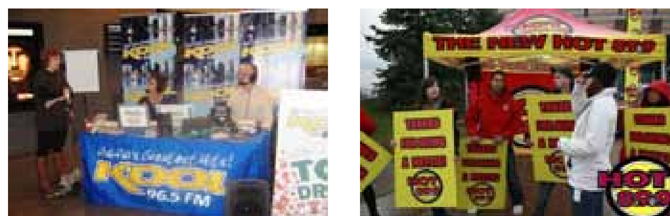
OCI consists of the net change in the fair value of the Company's cash flow hedges (interest rate swaps and total equity return swap) and actuarial gains and losses arising from the Company's defined benefit pension plans. The after-tax unrealized income recorded in OCI for the interest rate swaps was $0.3 million in the fourth quarter and year-to-date (2010 - $0.5 million in the quarter and $0.3 million year-to-date). Because the total equity return swap no longer qualifies for hedge accounting, any gains or losses in 2011 were recorded immediately through profit. In 2010 however, hedge accounting still applied and the after-tax unrealized loss recorded in OCI was $0.1 million for the quarter and less than $0.1 million for the year. Net actuarial losses of $0.9 million were recorded in OCI for the fourth quarter and year–to–date (2010- $0.6 million in the fourth quarter and year-to-date).

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, segment EBITDA and operating profit 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 19 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.

CGU's within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. The following summarizes the key operating results of the broadcasting segment. The results from discontinued operations have been excluded from these figures.

BROADCASTING SEGMENT

	Three months ended December 31			Twelve months ended December 31		
(thousands of Canadian dollars, except percentages)	**2011**	2010	% change	**2011**	2010	% change
Revenue	**$ 33,688**	31,009	9%	**$ 122,462**	112,445	9%
Operating expenses	**21,189**	19,936	6%	**80,897**	79,150	2%
EBITDA	**$ 12,499**	11,073	13%	**$ 41,565**	33,295	25%
EBITDA margin	**37%**	36%	1%	**34%**	30%	4%

Revenue

Fourth quarter revenue was $33.7 million, 9% or $2.7 million higher than the same quarter last year. For the year ended December 31, 2011, revenue of $122.5 million was 9% or $10.0 million higher compared to 2010. The entire growth in the quarter and year-to-date was driven by organic (same-station) revenue.Properties across the Company's network posted exceptional increases in revenue in 2011; Western Canadian properties posted10% revenue increases in the quarter and year-to-date; Central Canadian properties grew revenue by 16% in the quarter and 17% for the year; and the Atlantic Canadian properties were up 5% in the quarter and 4% year-to-date.

During 2011 national advertising for the Company was16% higher than 2010 and local advertising increased by 6%. Ratings results in December 2011 continued to be very strong with stations ranking #1 or #2 in 11 of the 13 surveyed markets. These ratings results have had a positive effect on revenue, particularly national revenue which is heavily weighted on ratings.

Overall, the industry's average growth rate in 2011 was only 2%; the Company posted positive growth of 9% year-over-year. Forward revenue bookings are looking solid so far in 2012 and management anticipates that it will be able to continue generating positive revenue growth in 2012.

Operating Expenses

Broadcasting operating expenses for the quarter were $21.2 million, 6% or $1.3 million higher than 2010. The increase in the fourth quarter is a result of higher variable costs in line with higher revenue.

Operating expenses of $80.9 million in the year were higher than 2010; however, the increase only amounted to 2% or $1.7 million which was low given the increase in variable costs. In 2010, the Copyright Board issued a ruling on certain tariffs that was retroactive to January 2008. As a result of this ruling, the 2010 comparative figure included a charge of $1.8 million related to prior years. Excluding the impact of this charge, operating expenses would have been 5% or $3.5 million higher than 2010 due to higher variable costs associated with higher revenue.

EBITDA

Fourth quarter broadcasting EBITDA of $12.5 million was 13% or $1.4 million better than 2010. Year-to-date EBITDA of $41.2 million was 25% or $8.3 million better than last year. Eliminating the impact of the copyright fee charge from 2010, EBITDA for the year would still have been higher by 18% or $6.5 million.

The 2011 EBITDA and EBITDA margins are amongst the highest since the Company began focusing purely on broadcasting. Strong revenue led the way to improved EBITDA while the Company's continued effort to effectively manage its fixed costs and discretionary spending also played a part in controlling expenses to strengthen EBITDA.

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

(thousands of Canadian dollars, except percentages)	Three months ended December 31 **2011**	2010	% change	Twelve months ended December 31 **2011**	2010	% change
Revenue	$ **1,012**	830	22%	$ **4,144**	3,596	15%
Operating expenses	**2,865**	3,098	(8%)	**10,454**	10,635	(2%)
EBITDA	$ **(1,853)**	(2,268)	18%	$ **(6,310)**	(7,039)	10%

Revenue

Corporate and Other revenue increased by $0.2 million or 22% in the fourth quarter and by $0.5 million or 15% year-to-date.The increases were from higher hotel revenue.

Operating Expenses

Operating expenses of $2.9 million in the fourth quarter and $10.5 million for the year were 8% and 2% lower than the same respective prior periods. The decreases were because of lower corporate costs at head office. As described in more detail on pages 21 and 22 of the MD&A, the Company incurs compensation expense related to its stock appreciation rights plan. This expense is offset with proceeds that are receivable under its total equity return swap hedging instrument. Year-to-date, the proceeds under its hedging instrument are greater than the related compensation expense giving rise to a net reduction of compensation expense of $1.1 million in 2011. Excluding this, operating expenses would have been 9% higher than 2010.

EBITDA

Fourth quarter and year-to-date EBITDA were better than the same periods last year primarily due to the increase in revenue.

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.Positively impacting the 2011 fourth quarter were the reversal of previous broadcast licence impairment charges and the mark–to–market unrealized gains. In 2010 the Company recognized the increased copyright fees in the second quarter and the broadcast licence impairment charge in the fourth quarter. The results from discontinued operations have been excluded from the 2010 comparative figures for revenue.

		Quarter				
(thousands of Canadian dollars, except share data)		**1st**	**2nd**	**3rd**	**4th**	**Year**
2011						
Revenue	**$**	**26,553**	**33,448**	**31,905**	**34,700**	**126,606**
Profit		**2,908**	**5,895**	**4,334**	**12,975**	**26,112**
EPS – basic		**0.10**	**0.19**	**0.14**	**0.43**	**0.86**
– diluted		**0.09**	**0.19**	**0.14**	**0.41**	**0.83**
2010						
Revenue	$	25,418	30,406	28,378	31,839	116,041
Profit		1,429	3,357	2,933	3,910	11,629
EPS - basic		0.04	0.10	0.09	0.12	0.35
- diluted		0.04	0.10	0.09	0.12	0.34

CASH FLOWS

The following table depicts the major sources of cash inflows and outflows in 2011 and 2010 by operating activities, financing activities and investing activities.

		Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)		**2011**	2010	**2011**	2010
Funds generated from continuing operations, before undernoted items	**$**	**9,921**	8,197	**31,765**	21,938
Change in working capital from continuing operations		**(230)**	(1,035)	**514**	5,759
Interest and income taxes paid from continuing operations		**(914)**	(1,179)	**(4,213)**	(4,577)
Net cash flows from discontinued operations		**42**	253	**33**	(114)
Net cash flows from operating activities	**$**	**8,819**	6,236	**28,099**	23,006
Net long–term debt (repayments) borrowings	**$**	**(11,500)**	4,000	**(13,000)**	(3,600)
Dividends paid		**–**	–	**(3,711)**	(5,275)
Repurchase of capital stock		**–**	(9,227)	**(8,744)**	(9,227)
Other, including change in bank indebtedness		**63**	285	**98**	862
Net cash flows from financing activities	**$**	**(11,437)**	(4,942)	**(25,357)**	(17,240)
Property and equipment additions	**$**	**(1,596)**	(842)	**(5,679)**	(2,949)
Proceeds from disposal of broadcasting assets		**5,699**	–	**5,699**	–
Canadian Content Development commitment payments		**(1,561)**	(328)	**(2,800)**	(2,759)
Other		**76**	(124)	**38**	(58)
Net cash flows from investing activities	**$**	**2,618**	(1,294)	**(2,742)**	(5,766)

Cash Flows – 2011

In the fourth quarter, cash flows from operating activities of $8.8 million combined with the proceeds from disposal of broadcasting assets of $5.7 million were used to repay net $11.5 million of long-term debt, purchase property and equipment for $1.6 million and pay $1.6 million of CCD commitments. Year-to-date, cash flows from operating activities of $28.1 million combined with the proceeds from disposal of broadcasting assets of $5.7 million were used to repay net $13.0 million of long-term debt, repurchase shares for $8.7 million, purchase property and equipment for $5.7 million, pay dividends totaling $3.7 million and pay $2.8 million of CCD commitments.

Cash Flows – 2010
In the fourth quarter, cash flows from operating activities of $6.2 million, in combination with net long–term debt borrowings of $4.0 million, were used to repurchase capital stock for $9.2 million and to purchase property and equipment totaling $0.8 million. Year–to–date cash flows from operating activities of $23.0 million were used to fund the repurchase of capital stock of $9.2 million, to pay $5.3 million of dividends, to pay CCD commitments of $2.8 million and to purchase property and equipment totaling $2.9 million.

Capital Expenditures and Capital Budget
The more significant investments in property and equipment in 2011 related to AM to FM conversions launched during the year as well as general improvements and upgrades throughout the Company.

Capital expenditures for 2012 are expected to approximate $6.0 million. The major planned expenditures include launching new licences, 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 $233.9 million were $2.6 million higher than 2010 because of the increase in broadcast licences which was the result of the reversal of certain broadcast licence impairment charges.

Liabilities, Shareholders' Equity and Capital Structure
As at December 31, 2011 the Company had $1.6 million of current bank indebtedness outstanding and $40.2 million of long-term debt. 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 51% equity ($119.7 million) and 49% debt ($114.2 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
In July 2011 the Company extended the expiry date of its syndicated revolving credit facility to June 30, 2013 as well as increased the capacity of the facility from $76.5 million to $90.0 million, and reduced its interest rates by 50 basis points. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms.

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 seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the year and at year end.

Cash flow from operations and funds available from the Company's $90.0 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.

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 credit facility, it has a $5.0 million current operating credit line to fund any current obligations. It can also access any unused capacity in its credit facility to fund obligations.

Working Capital Requirements
As at December 31, 2011, the Company's working capital deficiency was $5.3 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 the undrawn portion of its debt facility, the Company will be able to meet all other current cash requirements as they arise. In addition, 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 payments, dividends and other contractual obligations. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements. 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, 2011 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 Canadian dollars)	2012	2013	2014	2015	2016	thereafter	**Total**
Long-term debt (note 8)	$ –	40,500	–	–	–	–	**40,500**
CCD commitments, undiscounted (note 14)	2,751	1,267	1,125	241	163	142	**5,689**
Operating leases (note 18)	3,609	2,859	2,260	2,194	1,883	3,435	**16,240**
Pension funding obligation	522	527	532	537	542	5,596	**8,256**
Total contractual obligations	$ 6,882	45,153	3,917	2,972	2,588	9,173	**70,685**

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 acquired and awarded licences are disclosed in notes 18 and 20 of the Company's audited consolidated financial statements.

The Company also has obligations with respect to its employee benefit plans, as discussed in note 10 of the audited annual 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

Outstanding Share Data

The weighted average number of shares outstanding at December 31, 2011 was 30,397,000 (2010 - 32,729,000). As of this date, there are 26,558,435 Class A shares and 3,771,702 Class B shares outstanding.

Dividends Declared

In 2011, the Board of Directors declared dividends of $0.15 (2010 - $0.12) per share on each of its Class A shares and Class B shares.

Share Repurchases

In 2011, pursuant to the Normal Course Issuer Bid which expired February 8, 2012, the Company repurchased for cancellation 1,388,072 of its outstanding Class A shares for $8.7 million. In 2010, the Company repurchased 1,459,978 of its outstanding Class A shares for $9.2 million. Subsequent to year end, the Company received approval under a Normal Course Issuer Bid to repurchase up to 1,327,922 Class A shares and 113,151 Class B shares. This bid expires February 12, 2013.

EXECUTIVE STOCK-BASED COMPENSATION

For more detailed disclosures about the Company's executive compensation plans, refer to note 11 of the Company's audited consolidated financial statements.

Executive Stock Option Plan

As of this date, the number of Class A shares reserved for issuance pursuant to the executive stock option plan is 3,219,970. The number of Class A shares underlying outstanding options under the executive stock option plan is 2,530,000, of which 2,242,500 are vested, at prices ranging from $2.43 to $7.46. 689,970 options remain available to grant.

During the year, the Company granted 270,000 options (2010 - 60,000) at a weighted average exercise price of $7.30 (2010 -$6.77). 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 expire December 15, 2016. In 2011, 390,000 (2010 - nil) options were exercised at a weighted average exercise price of $3.66 (2010 - $nil). Compensation expense related to executive stock options for 2011 was $0.1 million (2010 - $0.1 million).

Subsequent to year end, the Company's Board of Directors approved the extension of the expiry date for 2,200,000 options by five years. This is subject to the approval of the Toronto Stock Exchange, and a portion is also subject to shareholder approval. If approved, the Company would be required to recognize an estimated $1.0 million in operating expenses due to this modification and the weighted average remaining contractual life would increase from 1.95 years to 6.30 years.

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 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. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. The rights' expiry dates range from May 2012 to February 2015. 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.

As at December 31, 2011, 595,750 rights (2010 - 452,250) had been exercised for cash proceeds of $0.7 million (2010 - $0.6 million). No rights were granted in 2011 or in 2010. For the year ended December 31, 2011, the compensation expense related to the rights was $0.3 million (2010 - recovery of less than $0.1 million). The obligation related to the rights was $0.6 million (2010 - $1.0 million), of which $0.5 million was current (2010 - $0.9 million).

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

For more detailed disclosure 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 OCI due to changes in fair value of the interest rate swaps by approximately $0.3 million, after-tax. The same rate change would have had minimal impact on profit.

The aggregate notional amount of the swap agreements was $55.0 million (2010 - $55.0 million). The aggregate fair value payable of the swap agreements was $2.4 million (2010 - $3.0 million).

The Company de-designated $5.0 million of the Company's interest rate swap agreements; therefore, hedge accounting no longer applies on this portion. Hedge accounting continues to apply for a notional amount of $50.0 million; however at year-end, a portion of this was deemed ineffective. Amounts related to the de-designated hedge and ineffectiveness were recorded in profit, which approximated $0.1 million (2010 - $0.1 million). After-tax, the unrealized non-cash income related to the interest rate swaps recognized in OCI was $0.3 million (2010 - $0.3 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 asthe stock appreciation rights' compensation expense.

During the year the Company wound-up a portion of its equity total return swap. 855,600 of the 1,275,000 notional Class A shares under the swap agreement were terminated. For the remaining notional 419,400 Class A shares, the Company amended the terms of the swap agreement extending the expiry date to July 2013. This amended instrument, however, does not qualify for hedge accounting and as such, gains and losses are recorded immediately through profit. The recognition of gains and losses through OCI no longer applies.

The estimated fair value of the equity total return swap receivable at December 31, 2011 was $0.9 million (2010 - $1.3 million).

Year-to–date, realized before-tax gains recorded in profit were $1.3 million; $0.7 million related to the portion of the swap that was terminated. In 2010, hedge accounting applied and less than $0.1 million was recognized as a loss in OCI for the year in 2010.

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 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, 2011, a 10% change in the share prices of each marketable security would result in a $0.6 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 $1.6 million as at December 31, 2011. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% 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 2011, $0.4 million was written off which is less than 2% of the year end receivables' balance and less than 1% of revenue. 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 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.

FUTURE ACCOUNTING STANDARDS

Standards issued but not yet effective up to the date of issuance of the Company's audited consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IFRS 7 Financial Instruments – Disclosures
Amendments to IFRS 7 will increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment in the first quarter of 2012. The amendment affects disclosure only and the Company expects there to be minimal impact.

IFRS 9 Financial Instruments
IFRS 9 was issued to replace IAS 39, "Financial Instruments: Recognition and Measurement". This is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provided guidance on the classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. In December 2011, the effective date of adoption of this standard was amended to January 1, 2015 from January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities', or 'structured entities' as they are now referred to in the new standards). The changes will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes to its financial results as a result of IFRS 10.

IFRS 11 Joint Arrangements
IFRS 11 uses some of the terms that were used by previous standards, but with different meanings. Whereas previous standards identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because the new standard uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, the previous standard focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement. IFRS 11 is effective for annual periods commencing on or after

January 1, 2013. The Company does not currently have any interest in joint ventures and therefore does not expect any implications as a result of this new standard.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes a number of new disclosures that are required. One of the most significant changes is that an entity is now required to disclose the judgments made to determine whether it controls another entity. IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes in disclosure requirements for the financial statements.

Separate Financial Statements (amendments to IAS 27)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, amendments to IAS 27 were also made which deals with control and the preparation of consolidated financial statements. No changes to the Company's financial results or disclosures are anticipated.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. Many of the concepts in this new standard are consistent with current practice; however, the disclosure requirements are substantial and could present additional challenges. IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard, which is limited to disclosures.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12) concerns the determination of deferred tax on investment property measured at fair value. The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 Investment Property. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

Employee Benefits (amendments to IAS 19)

The following summarizes the most significant components of the amendments to IAS 19 Employee Benefits. Under IAS 19, any defined benefit plan re-measurement must be immediately recognized in OCI. Previously under IAS 19, companies had the option to recognize or defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the income statement. Past service costs previously spread over future service periods must now be recognized in profit or loss when the employee benefit plan is amended. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component. In addition, there are increased disclosure requirements.

The amendments are mandatory for annual periods beginning on or after January 1, 2013 with retrospective application; earlier application is permitted. The Company anticipated some of these changes and as a result, upon transition to IFRS where the Company had choices among accounting methods, it opted to immediately recognize the defined benefit plan re-measurement component in OCI. This aspect of the amendments will therefore have no impact on the Company's financial results. The net interest approach in IAS 19 will change how the Company measures interest and the expected return on its plan assets; however, the change is not expected to have a material effect on the Company's financial results. These changes and the disclosure amendments are continuously being reviewed by management.

Presentation of Items of Other Comprehensive Income (amendments to IAS 1)

The amendments to IAS 1 were to revise the way other comprehensive income (OCI) is presented. Effective for annual periods beginning on or after July 1, 2012, with early adoption permitted, an entity will show separate subtotals for those elements that may be recycled to profit and loss, and those elements that will not. The Company will adopt these amendments beginning January 1, 2013 and will show separate sub-totals for its cash flow hedge OCI amounts, which are recycled to profit and loss, and a separate sub-total for actuarial gains and losses which do not get recycled through profit and loss. This will simply be a presentation change in the Company's Statement of Other Comprehensive Income.

CRITICAL ACCOUNTING ESTIMATES

Financial statements prepared in conformity with IFRS 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 takes 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 the components of all of its property and equipment based on past experience and industry norms, and is depreciating these assets over their useful lives. Management assesses these estimates on a periodic basis and makes adjustments when appropriate.

Impairment of Non-Financial Assets

The Company's primary non-financial assets subject to impairment include the broadcast licences, goodwill, other intangible assets and property and equipment. Broadcast licences and goodwill are not amortized but are tested annually for impairment, or more frequently if events or circumstances indicate that it is more likely than not that the value of broadcast licences and/or goodwill may be impaired. For other non-financial assets, the Company assesses whether there is any indication that an asset may be impaired and if so, the Company estimates the recoverable amount of the asset.

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGU's, including a sensitivity analysis, are further explained in note 6 of the audited consolidated financial statements.

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

The cost of defined benefit pension plans and the present value of the pension obligation and pension asset are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the

determination of the discount rate, future salary increases, mortality rates, future pension increases and the expected long-term rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the pension obligation and pension asset are highly sensitive to changes in these assumptions.

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, consider the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Further details about the assumptions used are given in note 10 of the audited consolidated financial statements.

Share-based compensation

The Company's share-based compensation plans (SARS and executive stock options) are measured at fair value using the Black- Scholes option-pricing model. Management must determine the most appropriate inputs to the option-pricing model including the expected life, volatility and dividend yield and make assumptions about them. Further details about the assumptions used are given in note 11 of the audited consolidated financial statements.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Income Taxes

Deferred 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 deferred tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

Non-Monetary Transactions

From time to time, the Company exchanges airtime for products and services. The Standing Interpretations Committee (SIC) issued SIC 31. Under SIC 31, the Company measures revenue at the fair value of the consideration received or receivable, or if this cannot be established, at the fair value of the airtime provided. Generally, the Company is able to fair value the airtime subject to contra arrangements as there are independent non contra transactions involving similar airtime amounts, thereby providing appropriate evidence of fair value of the consideration received or receivable. However, in some instances, this may not be the case and management will have to estimate the fair value of the consideration received.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2011, there were no off-balance sheet arrangements other than operating leases which are considered in the ordinary course of business.

RELATED PARTY TRANSACTIONS

These audited consolidated financial statements include the financial statements of the two wholly-owned subsidiaries: Newcap Inc. and the Glynmill Inn Incorporated. Any balances owing or receivable between these entities are eliminated on 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.

SUSBEQUENT EVENTS

Subsequent to year end, the Company received CRTC approval to acquire two FM stations in Penticton and Kelowna, British Columbia for approximately $7.0 million. The transaction was completed on February 26, 2012 and is subject to working capital adjustments. Upon completion, the Company became obligated for CCD commitments of approximately $0.5 million, of which $0.3 million is considered to be a transaction cost, and will therefore be expensed in the first quarter of 2012.

Subsequent to year end, the Company received CRTC approval to convert its AM station in Stettler, Alberta to FM. As a result of this approval, the Company has additional CCD commitments of under $0.1 million payable evenly over 7 years that will be recorded as an increase to the broadcast licence value upon the launch of the FM station.

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, 2011, the CEO and the CFO, based on their evaluation, concluded that DC&P were properly designed 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 IFRS.

As at December 31, 2011, 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 IFRS.

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, 2011. 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 IFRS.

Changes in Internal Controls over Financial Reporting

During fiscal 2011, there were no changes in internal controls over financial reporting that are likely to have, or had, a material affect on the Company's internal controls over financial reporting.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

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

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 licensing 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 Copyright collective societies ("Collectives") which include the Society of Composers, Authors and Music Publishers of Canada ("SOCAN"), Re:Sound, the Canadian Musical Reproduction Rights Agency and Society for Reproduction Rights of Authors, Composers and Publishers in Canada ("CSI"), and the Audio-Video Licensing Agency ("AVLA") based on rates set by the Copyright Board of Canada.

The Collectives can apply at any time to the Copyright Board for amendments to the fees which could affect future results. The Copyright Committee of the Canadian Association of Broadcasters ("CAB") is comprised of broadcaster members who represent jointly the interests of the industry in matters of copyright negotiation between broadcasters, Collectives and the Copyright Board of Canada. Newcap is a member of this committee.

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 and two groups that had no existing tariffs AVLA/SOPROQ (representing record labels), and Artisti (representing performers). The Copyright Committee of the CAB acted on behalf of the broadcasters to oppose any tariff rate increases. The Copyright Board issued its ruling in July 2010 on certain tariffs which resulted in a $3.0 million increase in copyright fees in 2010, of which $1.8 million related to previous years. As a result of this ruling, copyright fees as a whole have increased from 7.3% to 8.9% of revenue, subject to certain exemptions for low use and low revenue stations.

In 2011, the Copyright Board of Canada announced that Re:Sound was proposing new royalties on broadcasting revenue. At this time, the Copyright Committee of the CAB is protesting this increase. The outcome and the impact on the Company's results are not known at this time.

The Copyright Committee of the CAB is also disputing the reproduction tariffs, CSI and AVLA, as unfair. At this time, neither the Company nor the CAB's Copyright Committee can predict the outcome or impact of any changes to these tariffs.

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.

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.

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.

Other media compete for advertising dollars, such as print, television, yellow pages, outdoor, direct mail, and on-line 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. Over the past number of years, Radio's percentage share of advertising dollars has remained relatively constant with the increase of on-line advertising coming from the decline in print advertising.

Broadcast Licences and Goodwill
As previously disclosed in the "Critical Accounting Estimates" section, broadcast licences and goodwill are not amortized but are tested annually for impairment, or more frequently if events or circumstances indicate that it is more likely than not that the value of broadcast licences and/or goodwill may be impaired. The fair value of broadcast licences and goodwill are influenced by assumptions, based on prevailing economic conditions, to support the discount rate used to discount the future cash flows calculated by the Company to assess the value-in-use (or fair value) of its broadcast licences and goodwill. During a period of economic volatility, there can be no assurance that the Company's broadcast licences or goodwill would not be adversely affected following changes in the assumptions used to determine the discount rate. The Company monitors this on an ongoing basis and any changes to the fair value of broadcast licences or goodwill would result in a non–cash impairment charge in the Company's consolidated income statement.

Tax Matters
As previously disclosed in the "Critical Accounting Estimates" section, in order to calculate income tax, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In addition, the Company, like all companies, is subject to audits from different taxation authorities. The outcome of any audits could materially affect the amount of income taxes payable recorded on the Company's consolidated statement of financial position and provision for income tax expense in the consolidated income statement. Any cash payments or receipts arising from tax audits could have a material impact on the Company's cash flow from operating activities. To mitigate these risks, the Company has engaged external advisors to work with management in preparing the Company's income tax returns and in all transactions that are outside of the normal course of operations. Management, along with the external advisors, have up-to-date knowledge of Canadian and provincial income tax laws and their interpretations. Although these risks exist, management believes that it has sufficient amounts accrued for outstanding tax matters based on all of the information currently available.

Defined Benefit Pension Plans

The Company's defined benefit pension plans are impacted by economic conditions and there can be no assurance that pension expense and funding of its defined benefit pension plans will not increase in the future and negatively impact operating results and financial condition. Defined benefit funding risks arise when pension liabilities exceed the value of the plan assets. These unfunded differences can arise from lower than expected plan asset returns, changes in the discount rate used to value pension obligations and actuarial loss experiences. The Company mitigates the risk by continuously monitoring the performance of the plan assets and the funding position of the plans. Risk is also mitigated due to the fact that there are only a small number of retirees and employees covered under these plans. All other employees are included in the Company's defined contribution pension plan.

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

Coming off a very successful year in 2011, management is optimistic that growth will continue into 2012. Revenue bookings at this time are solid and the positive ratings results in December 2011 will help sustain positive revenue growth in 2012.

The Company has been consistently managing fixed and discretionary costs so as to deliver improved EBITDA and EBITDA margins and this cost philosophy will be maintained throughout 2012.

In addition to continuously improving organic operations, in 2012 management will also focus on expansion. The following summarizes some of the specific expansionary activities the Company hopes to undertake:

- Subsequent to year end, the CRTC approved the Company's purchase of FM radio stations in Kelowna and Penticton, British Columbia. This will be the Company's first originating radio operations in British Columbia making us a national, coast–to–coast broadcaster. The closing date of the acquisition was February 26, 2012 and operations of these two stations are being integrated as effectively and efficiently as possible.

- Subsequent to year end, the CRTC also approved the conversion of the Stettler, Alberta station from AM to FM. Management will work on launching the new FM as early as possible.

- The Company has filed applications to launch two new FM stations in New Brunswick – one in Miramichi and the other in Fredericton to complement Fred–FM, the Company's existing station there. If approved, both these stations would be accretive in the short–term. Management, over the years, has gained a lot of expertise in launching new stations. Those learned best practices will be applied should the Company be successful in being awarded these new licences.

- The Company has applied for a new FM licence in Canada's largest radio market, Toronto, Canada. This licence would pose certain challenges for the Company, such as being a stand–alone station in a market that is fiercely competitive and it would not be accretive immediately; however, management sees this as a tremendous long–term opportunity to have a presence in this lucrative market.

- The Company is always on the look–out for acquisition and new licence opportunities that fit its operating objectives.

During 2011, the Company reduced its debt level and refinanced its credit facility, adding borrowing capacity which allows the Company to be able to finance and absorb costs associated with these expansions, and others that may present themselves.

The Company's success in recent years is attributable to the management team and employees who are some of the most talented in the industry. The Company is committed to follow its successful operating strategy in future. It is also committed to being actively involved with events that are important to the communities served by the Company and maintaining the close relationships formed with advertisers and listeners alike.

NON-IFRS ACCOUNTING MEASURE

EBITDA is defined as profit from continuing operations excluding depreciation and amortization expense, interest expense, accretion of other liabilities, other income, broadcast licence impairment (reversal) charge and provision for income taxes. A calculation of this measure is as follows:

	Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)	**2011**	2010	**2011**	2010
Profit from continuing operations	**$ 9,397**	3,929	**22,615**	11,898
Provision for income taxes	**3,217**	1,959	**8,344**	5,258
Broadcast licence impairment (reversal) charge	**(2,911)**	1,161	**(2,911)**	1,161
Other income	**(1,070)**	(312)	**(1,487)**	(158)
Accretion of other liabilities	**58**	129	**447**	671
Interest expense	**934**	1,002	**4,300**	3,639
Depreciation and amortization expense	**1,021**	937	**3,947**	3,787
EBITDA	**$ 10,646**	8,805	**35,255**	26,256

This measure is not defined by International Financial Reporting Standards 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

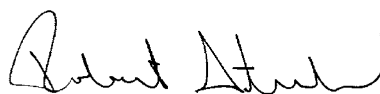
The consolidated financial statements and other information in this Annual Report are the responsibility of the management of Newfoundland Capital Corporation Limited. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include certain 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, 2011, 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, 2011, 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 International Financial Reporting Standards.

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 four 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 International Financial Reporting Standards. Their opinion is presented hereafter.

March 9, 2012



Robert G. Steele
President and Chief Executive Officer

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

Independent Auditors' Report

To the Shareholders of Newfoundland Capital Corporation Limited

We have audited the accompanying consolidated statement of financial position of Newfoundland Capital Corporation Limited as at December 31, 2011, as at December 31, 2010 and as at January 1, 2010 and the consolidated income statement, statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Newfoundland Capital Corporation Limited as at December 31, 2011, as at December 31, 2010 and as at January 1, 2010 and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Halifax, Canada
March 9, 2012

Consolidated Statements of Financial Position

(thousands of Canadian dollars)	Notes		**December 31 2011**	December 31 2010	January 1 2010
ASSETS					
Current assets					
Marketable securities	14	$	6,588	5,286	4,923
Receivables	14		25,466	25,589	23,831
Prepaid expenses			865	977	778
Other assets	5,14(c)		889	1,339	1,810
Total current assets			33,808	33,191	31,342
Non-current assets					
Property and equipment	4,22(a)		35,015	34,686	35,863
Other assets	5,22(d),(g)		2,546	3,614	3,620
Broadcast licences	6,22(b)		151,712	148,766	149,752
Goodwill	6,22(c)		6,109	6,109	6,109
Deferred income tax assets	15,22(h)		4,750	5,022	5,293
Total assets		$	233,940	231,388	231,979
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank indebtedness	8	$	1,557	1,380	99
Accounts payable and accrued liabilities	9,11,22(f)		17,640	20,909	17,213
Dividends payable	12		2,730	1,891	3,297
Income taxes payable			17,214	10,626	6,836
Current portion of long-term debt	8		—	—	57,100
Total current liabilities			39,141	34,806	84,545
Non-current liabilities					
Long-term debt	8		40,211	53,158	—
Other liabilities	9,14(b), 22(f),(g)		14,990	17,865	20,711
Deferred income tax liabilities	15,22(h)		19,932	18,376	17,906
Total liabilities			114,274	124,205	123,162
Shareholders' equity			119,666	107,183	108,817
Total liabilities and shareholders' equity		$	233,940	231,388	231,979

Commitments and contingencies (note 18)

Subsequent events (note 20)

See accompanying notes to the consolidated financial statements

Consolidated Income Statements — For the years ended December 31

(thousands of Canadian dollars, except per share data)	Notes		2011	2010
Revenue		$	**126,606**	116,041
Operating expenses	22(f),(g)		**91,351**	89,785
Depreciation and amortization	22(a),(d)		**3,947**	3,787
Operating profit			**31,308**	22,469
Interest expense	8		**4,300**	3,639
Accretion of other liabilities	9		**447**	671
			26,561	18,159
Other income	5,14(a)		**1,487**	158
Broadcast licence impairment recovery (charge)	6		**2,911**	(1,161)
Profit from continuing operations before provision for income taxes			**30,959**	17,156
Provision for income taxes				
Current			**6,905**	4,357
Deferred			**1,439**	901
	15,22(i)		**8,344**	5,258
Profit from continuing operations			**22,615**	11,898
Profit (loss) from discontinued operations	7		**3,497**	(269)
Profit		$	**26,112**	11,629
Earnings per share from continuing operations	16,22			
– basic		$	**0.74**	0.36
– diluted			**0.72**	0.35
Earnings per share	16,22			
– basic		$	**0.86**	0.35
– diluted			**0.83**	0.34

See accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Income — For the years ended December 31

(thousands of Canadian dollars)	Notes		2011	2010
Profit for the period		$	**26,112**	11,629
Other comprehensive income (loss):				
Cash flow hedges:				
Net movement on interest rate swaps	14(b)		**459**	405
Income tax expense			**(122)**	(108)
			337	297
Net movement on total equity return swap	14(c)		**–**	(56)
Income tax recovery			**–**	19
			–	(37)
Defined benefit plan actuarial losses	10,22(g)		**(1,252)**	(819)
Income tax recovery	15		**388**	254
			(864)	(565)
Other comprehensive loss			**(527)**	(305)
Comprehensive income		$	**25,585**	11,324

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity — For the years ended December 31

(thousands of Canadian dollars)	Issued share Capital (note 12)	Contributed surplus (notes 13,22(f))	Accumulated other comprehensive loss (note 22)	Retained earnings (notes 12,22(j))	Total
Balance at January 1, 2011	$ 40,813	2,176	(2,202)	66,396	107,183
Profit	—	—	—	26,112	26,112
Other comprehensive loss	—	—	(527)	—	(527)
Total comprehensive income					25,585
Dividends	—	—	—	(4,550)	(4,550)
Repurchase of share capital	(2,002)	—	—	(6,742)	(8,744)
Exercise of executive stock options	968	(884)	—	—	84
Executive stock option compensation expense	—	108	—	—	108
Balance at December 31, 2011	**$ 39,779**	**1,400**	**(2,729)**	**81,216**	**119,666**

See accompanying notes to the consolidated financial statements

(thousands of Canadian dollars)	Issued share Capital (note 12)	Contributed surplus (notes 13,22(f))	Accumulated other comprehensive loss (note 22)	Retained earnings (notes 12,22(j))	Total
Balance at January 1, 2010	$ 42,913	2,038	(1,897)	65,763	108,817
Profit	—	—	—	11,629	11,629
Other comprehensive loss	—	—	(305)	—	(305)
Total comprehensive income					11,324
Dividends	—	—	—	(3,869)	(3,869)
Repurchase of share capital	(2,100)	—	—	(7,127)	(9,227)
Executive stock option compensation expense	—	138	—	—	138
Balance at December 31, 2010	**$ 40,813**	**2,176**	**(2,202)**	**66,396**	**107,183**

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows — For the years ended December 31

(thousands of Canadian dollars)	Notes	**2011**	2010
Operating Activities			
Profit from continuing operations before provision for income taxes	22	$ 30,959	17,156
Items not involving cash			
Depreciation and amortization	22(a),(d)	3,947	3,787
Share-based compensation expense	11,22(f)	393	110
Accretion of other liabilities	9	447	671
Broadcast licence impairment (recovery) charge	5,6	(2,911)	1,161
Unrealized gains on marketable securities	14(a)	(1,302)	(1,084)
Other		232	137
		31,765	21,938
Net change in non-cash working capital from continuing operations	17	514	5,759
		32,279	27,697
Interest paid		(4,067)	(4,131)
Income taxes paid		(146)	(446)
Net cash flow from continuing operations		28,066	23,120
Cash flow from discontinued operations		33	(114)
Net cash flows from operating activities		28,099	23,006
Financing Activities			
Change in bank indebtedness		177	1,281
Long-term debt borrowings		9,500	12,500
Long-term debt repayments		(22,500)	(16,100)
Dividends paid	12	(3,711)	(5,275)
Repurchase of capital stock	12	(8,744)	(9,227)
Proceeds from exercise of stock options	12	84	—
Other		(163)	(419)
		(25,357)	(17,240)
Investing Activities			
Property and equipment additions	4	(5,679)	(2,949)
Proceeds from disposal of broadcasting assets	7	5,699	—
Canadian Content Development commitment payments		(2,800)	(2,759)
Other		38	(58)
		(2,742)	(5,766)
Cash, beginning and end of period		$ —	—

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements December 31, 2011 and 2010

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the "Company") is incorporated in Nova Scotia, Canada. The address of the Company's registered office of business is 745 Windmill Road, Dartmouth, Nova Scotia, B3B 1C2. The Company's primary activity is radio broadcasting. These consolidated financial statements comprise the financial position of the Company and its subsidiaries, together referred to as the "Company". The Company's revenue is derived primarily from the sale of advertising airtime which is subject to seasonal fluctuations. The first quarter of the year is generally a period of lower retail spending. As a result, revenue and net income are generally lower than the other quarters.

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 9, 2012.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS and are covered by IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") because they are part of the period covered by the Company's first IFRS annual financial statements for the year ending December 31, 2011. These consolidated financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as at the date of these statements (March 9, 2012). The policies set out below have been consistently applied to all the periods presented.

The Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") until December 31, 2010. GAAP differs in some areas from IFRS. In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS and the comparative figures in respect of 2010 were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Company's equity and its profit and cash flows are provided in note 22, Transition to IFRS.

These consolidated financial statements contain all of the information and disclosures required by IFRS for annual financial statements. All amounts are expressed in Canadian dollars, rounded to the nearest thousand (unless otherwise specified). The functional currency of the Company and each of its subsidiaries is the Canadian dollar.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- the defined benefit pension asset is recognized as the net total of the plan assets, plus unrecognized past service costs and the present value of the defined benefit obligation.

2. BASIS OF PREPARATION (continued)

Significant accounting estimates and assumptions

Financial statements prepared in conformity with IFRS 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.

Property and Equipment

The Company has estimated the useful lives of the components of all of its property and equipment based on past experience and industry norms, and is depreciating these assets over their useful lives. Management assesses these estimates on an annual basis and makes adjustments when appropriate.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount,which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGU's, including a sensitivity analysis, are further explained in note 6.

Employee Future Benefit Plans

The cost of defined benefit pension plans and the present value of the pension obligation and pension asset are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, future pension increases and the expected long-term rate of return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the pension obligation and pension asset are highly sensitive to changes in these assumptions.

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, consider the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Further details about the assumptions used are given in note 10.

Share-based compensation

The Company's share-based compensation plans (SARS and executive stock option) are measured at fair value using the Black-Scholes option-pricing model. Management must determine the most appropriate inputs to the option-pricing model including the expected life, volatility and dividend yield and make assumptions about them. Further details about the assumptions used are given in note 11.

2. BASIS OF PREPARATION (continued)

Significant accounting estimates and assumptions (continued)

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Income Taxes
Deferred 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 deferred tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

Non-Monetary Transactions
From time to time, the Company exchanges airtime for products and services. The Standing Interpretations Committee (SIC) issued SIC 31. Under SIC 31, the Company measures revenue at the fair value of the consideration received or receivable, or if this cannot be established, at the fair value of the airtime provided. Generally, the Company is able to fair value the airtime subject to contra arrangements as there are independent non contra transactions involving similar airtime amounts, thereby providing appropriate evidence of fair value of the consideration received or receivable. However, in some instances, this may not be the case and management will have to estimate the fair value of the consideration received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations, broadcast licences and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed and included in operating expenses. The cost of a business combination is allocated to the fair value of the related net identifiable tangible and intangible assets. 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. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

To receive approval to launch a new broadcast licence pursuant to applications made by the Company to the Canadian Radio-television and Telecommunications Commission ("CRTC"), the CRTC may require the Company to commit to fund Canadian Content Development ("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. Any other direct costs related to the award of new broadcast licences are also capitalized as broadcast licences.

After initial recognition, goodwill and broadcast licences are recorded at cost less any accumulated impairment losses. Both goodwill and broadcast licences have indefinite useful lives and are not amortized. Broadcast licences are deemed indefinite life assets since they are renewed every seven years, with the unlikely chance that the renewal will be denied; therefore, there is no foreseeable limit to the period over which broadcast licences are expected to generate net cash flows for the Company.

Impairment testing of goodwill, other intangible assets and property and equipment

Goodwill and intangible assets with indefinite useful lives, like broadcast licences, are not amortized but are tested for impairment annually, either individually or at the CGU level. Intangible assets with finite lives and property and equipment are amortized over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units or "CGU's"). As a result, some assets are tested individually for impairment and some are tested at the CGU level when cash inflow interdependencies exist. Goodwill is allocated to those CGU's that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill.

An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved five year budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each asset or CGU and reflect their respective risk profiles as assessed by management.

Impairment losses for CGU's first reduce the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the asset or CGU's recoverable amount exceeds its carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate

The Company's investment in its associate is accounted for using the equity method. The associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate is carried in the balance sheet (as non-current "other assets") at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Company's proportionate share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The share of profit of the associate is included in other income.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement during the period.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in income.

Property and equipment

Property and equipment is carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on the derecognition of the asset are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Depreciation is recognized on a straight-line basis over the estimated useful lives of each component part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.
The estimated useful lives of the assets are as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Building structure	60 years
Major building components	20 - 30 years
Computer hardware and software	4 - 6 years
Vehicles	5 years
Radio equipment and digital automation	10 years
Furniture, fixtures and office equipment	5 - 10 years
Towers and transmitters	8 - 25 years
Leasehold improvements	Over the term of the lease plus one renewal period

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively.

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.

Income taxes

Current income taxes
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the provinces where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each balance sheet date. It is possible that additional liability could result. Where the final tax outcome of these matters is different from the amounts that were recorded, the tax provisions will be affected in the period in which the final outcome is determined.

Deferred income taxes
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income taxes (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company has not recognized any deferred tax liability for temporary differences associated with investments in subsidiaries on the basis that the Company is able to control the timing of the reversal of such temporary differences and such reversal is not probable in the foreseeable future.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Operating segments

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. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the fair value of the consideration received or receivable, or if this cannot be established, at the fair value of the airtime provided.

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.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows and benefits related to the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Upon initial recognition, financial instruments are measured at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, available-for-sale assets, loans and receivables, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge. Financial instruments are included on the consolidated statement of financial position and measured on initial recognition at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities, which are measured at amortized cost. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. Gains and losses on fair value through profit or loss financial assets and financial liabilities are recognized in income before income taxes in the period in which they are incurred. Transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

The Company's financial instruments have been classified as either assets and liabilities at fair value through profit or loss ("FVTPL"), loans and receivables or other liabilities. 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	FVTPL	Fair value
Marketable securities	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Canadian Content Development commitments (grouped in Other liabilities)	Other liabilities	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Cash and marketable securities are able to be settled in the near term; therefore, they meet the criteria required to classify them as FVTPL. Instruments classified as fair value through profit or loss 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).

Loans, receivables and other liabilities

Loans, receivables and other liabilities are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Financial instruments classified as loans and receivables and other liabilities are measured using amortized cost using the effective interest rate method ("EIM") less any impairment. 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 to the fair value at initial recognition. Interest income and expense related to financial assets and financial liabilities are being recorded using the EIM.

Impairment of financial instruments

An assessment of whether there is objective evidence that a financial asset or a group of financial assets is impaired is performed at each balance sheet date. A financial asset or group of financial assets is considered to be impaired if one or more loss events that have an impact on the future cash flows of the financial asset or group of assets occur after initial recognition of the financial asset and the loss can be reliably measured. This assessment is done on an individual financial asset basis or on a portfolio of financial assets basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has occurred, the loss is based on the difference between the carrying amount of the financial asset, or portfolio of financial assets, and the respective estimated future cash flows discounted at the financial instruments original effective interest rate and is recorded as an allowance for losses. If, in a subsequent period, the impairment loss decreases, the previously recognized impairment is reversed to the extent of the impairment.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Hedges

The Company has derivative financial instruments designated as cash flow hedges which are recorded on the statement of financial position at fair value. The Company has designated interest rate swaps and a cash-settled equity total return swap as hedging instruments in cash flow hedge relationships. The Company entered into interest rate swaps to mitigate its exposure to fluctuating interest rates in relation to its long-term debt. The cash-settled equity total return swap helps mitigate the Company's exposure to fluctuations in its share-based compensation costs related to the Stock Appreciation Rights Plan ("SARS").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedges (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognized immediately in the income statement.

At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified to the income statement and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Pension benefits

The Company maintains a defined contribution pension plan and defined benefit pension plans. The Company does not provide any non-pension post-retirement benefits to employees.

Defined contribution pension plan

The Company matches employee contributions under the defined contribution plan. In this plan, contributions are funded to a separate entity and the Company has no legal or constructive obligation to pay further amounts. The Company's portion is recorded as compensation expense as contributions are made which coincides with the periods during which services are rendered by employees.

Defined benefit pension plans

The cost of providing benefits under the defined benefit plans is determined on an annual basis by independent actuaries separately for each plan using the projected unit credit costing method. Actuarial gains and losses for both defined benefit plans are recognized immediately in full in the period in which they occur in other comprehensive income. Because actuarial gains and losses are recognized immediately, they are not reclassified to the statement of income in subsequent periods.

The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If immediately following the introduction of or changes to a pension plan the benefits have already vested, past service costs are recognized immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined benefit pension plans (continued)

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less past service costs and less the fair value of plan assets out of which the obligations are to be settled. The fair value of plan assets is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognized is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. This measurement basis is consistent with IFRIC 14 IAS 19 – *The limit on a Defined Benefit Asset.*

The Company recognized all cumulative actuarial gains and losses and all cumulative vested past service costs at the date of transition to IFRS as disclosed in note 10. Subsequent actuarial gains and losses are recognized in other comprehensive income as they arise.

Share based payments

The Company has a cash-settled 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 a cash-settled Stock Appreciation Rights Plan ("SARS"), a form of stock-based compensation. Compensation expense is accrued with a corresponding increase in liabilities in the amount which represents the fair value of the amount payable to employees in respect of SARS, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in the income statement. Fair value is measured using the Black-Scholes option-pricing model.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The Company has several operating lease commitments for which lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

New standards and interpretations issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations issued but not yet effective (continued)

IFRS 7 Financial Instruments – Disclosures
Amendments to IFRS 7 will increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment in the first quarter of 2012. The amendment affects disclosure only and the Company expects there to be minimal impact.

IFRS 9 Financial Instruments
IFRS 9 was issued to replace IAS 39, "Financial Instruments: Recognition and Measurement". This is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provided guidance on the classification and measurement of financial assets and financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. In December 2011, the effective date of adoption of this standard was amended to January 1, 2015 from January 1, 2013. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities', or 'structured entities' as they are now referred to in the new standards). The changes will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes to its financial results as a result of IFRS 10.

IFRS 11 Joint Arrangements
IFRS 11 uses some of the terms that were used by previous standards, but with different meanings. Whereas previous standards identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because the new standard uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, the previous standard focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement. IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company does not currently have any interest in joint ventures and therefore does not expect any implications as a result of this new standard.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes a number of new disclosures that are required. One of the most significant changes is that an entity is now required to disclose the judgments made to determine whether it controls another entity. IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company does not anticipate any changes in disclosure requirements for the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations issued but not yet effective (continued)

Separate Financial Statements (amendments to IAS 27)
As a result of the new standards IFRS 10, IFRS 11 and IFRS 12, amendments to IAS 27 were also made which deals with control and the preparation of consolidated financial statements. No changes to the Company's financial results or disclosures are anticipated.

IFRS 13 Fair Value Measurement
IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. Many of the concepts in this new standard are consistent with current practice; however, the disclosure requirements are substantial and could present additional challenges. IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard, which is limited to disclosures.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)
Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12) concerns the determination of deferred tax on investment property measured at fair value. The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 Investment Property. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and

- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

Employee Benefits (amendments to IAS 19)
The following summarizes the most significant components of the amendments to IAS 19 Employee Benefits. Under IAS 19, any defined benefit plan re-measurement must be immediately recognized in OCI. Previously under IAS 19, companies had the option to recognize or defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the income statement. Past service costs previously spread over future service periods must now be recognized in profit or loss when the employee benefit plan is amended. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component. In addition, there are increased disclosure requirements.

The amendments are mandatory for annual periods beginning on or after January 1, 2013 with retrospective application. Earlier application is permitted. The Company anticipated some of these changes and as a result, upon transition to IFRS where the Company had choices among accounting methods, it opted to immediately recognize the defined benefit plan remeasurement component in OCI. This aspect of the amendments will therefore have no impact on the Company's financial results. The net interest approach in IAS 19 will change how the Company measures interest and the expected return on its plan assets; however, the change is not expected to have a material effect on the Company's financial results. These changes and the disclosure amendments are continuously being reviewed by management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations issued but not yet effective (continued)

Presentation of Items of Other Comprehensive Income (amendments to IAS 1)

The amendments to IAS 1 were to revise the way other comprehensive income (OCI) is presented. Effective for annual periods beginning on or after July 1, 2012, with early adoption permitted, an entity will show separate subtotals for those elements that may be recycled to profit and loss, and those elements that will not. The Company will adopt these amendments beginning January 1, 2013 and will show separate sub-totals for its cash flow hedge OCI amounts, which are recycled to profit and loss, and a separate subtotal for actuarial gains and losses which do not get recycled through profit and loss. This will simply be a presentation change in the Company's Statement of Other Comprehensive Income.

4. PROPERTY AND EQUIPMENT

(thousands of Canadian dollars)	Land	Building Structures	Major building components	Radio Equipment	Towers and transmitters	Computer hardware software and peripherals	Furniture and fixtures	Leasehold improvements	Vehicles	Total
Cost										
Balance at January 1, 2010	$ 2,344	3,195	4,145	15,740	21,716	4,625	5,576	8,354	919	**66,614**
Additions	-	87	150	699	1,228	465	178	104	38	**2,949**
Disposals	-	-	-	(617)	(935)	(508)	(371)	(655)	(331)	**(3,417)**
Balance at December 31, 2010	2,344	3,282	4,295	15,822	22,009	4,582	5,383	7,803	626	**66,146**
Additions	65	379	342	1,068	2,399	691	292	57	386	**5,679**
Disposals	-	-	-	(131)	(57)	(133)	(38)	(46)	(32)	**(437)**
Discontinued operations (note 7)	(108)	(201)	(208)	(111)	(876)	(130)	(59)	-	-	**(1,693)**
Balance at December 31, 2011	2,301	3,460	4,429	16,648	23,475	5,010	5,578	7,814	980	**69,695**
Accumulated depreciation										
Balance at January 1, 2010	-	(318)	(1,571)	(9,491)	(8,509)	(3,825)	(3,659)	(2,647)	(731)	**(30,751)**
Depreciation for the year	-	(38)	(171)	(1,112)	(1,116)	(418)	(351)	(590)	(79)	**(3,875)**
Disposals	-	-	-	634	720	491	367	638	316	**3,166**
Balance at December 31, 2010	-	(356)	(1,742)	(9,969)	(8,905)	(3,752)	(3,643)	(2,599)	(494)	**(31,460)**
Depreciation for the year	-	(39)	(177)	(1,166)	(1,192)	(469)	(334)	(546)	(82)	**(4,005)**
Disposals	-	-	-	73	23	129	19	23	31	**298**
Discontinued operations (note 7)	-	13	47	55	221	118	33	-	-	**487**
Balance at December 31, 2011	-	(382)	(1,872)	(11,007)	(9,853)	(3,974)	(3,925)	(3,122)	(545)	**(34,680)**
Net book value										
At January 1, 2010	$ 2,344	2,877	2,574	6,249	13,207	800	1,917	5,707	188	**35,863**
At December 31, 2010	2,344	2,926	2,553	5,853	13,104	830	1,740	5,204	132	**34,686**
At December 31, 2011	2,301	3,078	2,557	5,641	13,622	1,036	1,653	4,692	435	**35,015**

Please refer to note 22 for additional information related to depreciation expense.

5. OTHER ASSETS

(thousands of Canadian dollars)		**2011**	2010	January 1,2010
Other assets - current				
Equity total return swap receivable (note 14(c))	**$**	**889**	1,339	1,410
Other		**–**	—	400
		889	1,339	1,810
Other assets – non-current				
Accrued pension benefit asset (notes 10 & 22(g))	**$**	**–**	741	1,083
Investment in and advances to associate, net of cumulative profit of $7 (2010 - net loss of $33) and net of impairment charge of $275 (2010 - $nil)		**2,193**	2,560	2,369
Equity total return swap receivable (note 14(c))		**–**	—	56
Other		**353**	313	112
	$	**2,546**	3,614	3,620

Investment in and advances to associate
The investment in and advances to an associate company relates to 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 profit, using the equity method. The original investment was $1,000,000 and the remaining balance is comprised of advances, net of the Company's share of the cumulative net profits and losses and impairment charges. Advances to the associate, aggregating $1,625,000, bear interest at prime and have no fixed terms of repayment. The associate company's reporting period coincides with the Company's reporting period.

Impairment charge - investment in affiliate
As at December 31, 2011, the Company recognized an impairment charge of $275,000 (2010 - $nil) because the recoverable amount of the investment was lower than the carrying value. This has been recognized in other income on the income statement. The recoverable amount was based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is based upon historical inflation rates. The pre-tax discount rate applied to cash flow projections was 10%. The impairment issue arose in 2011 because of lowered profitability expectations in future, which gave rise to a lower value-in-use calculation. The same assumptions used for measuring value-in-use for broadcast licences apply for assessing impairment of the investment and therefore, additional details on key assumptions and sensitivity are included in note 6.

6. GOODWILL, BROADCAST LICENCES AND OTHER INTANGIBLE ASSETS

Goodwill and broadcast licences are tested for impairment annually on October 31 and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill and broadcast licences having indefinite useful lives was based on value-in-use calculations as of the IFRS transition date and as of the fiscal years ended December 31, 2011 and December 31, 2010. A discounted cash flow model is used to determine the Company's value-in-use. The key assumptions used to determine the recoverable amount for the different CGU's is discussed below with respect to the most recently completed impairment calculation as of the IFRS transition date and as of the fiscal years ended December 31, 2011 and December 31, 2010.

6. GOODWILL, BROADCAST LICENCES AND OTHER INTANGIBLE ASSETS (continued)

(thousands of Canadian dollars)		Goodwill	Broadcast Licences	Other Intangible Assets
Cost				
Balance at January 1, 2010	$	7,045	156,456	205
Additions, internally-developed		–	175	–
Balance, December 31, 2010	$	7,045	156,631	205
Additions, internally-developed		–	35	–
Disposals – discontinued operations (note 7)		–	(2,852)	–
Balance, December 31, 2011	**$**	**7,045**	**153,814**	**205**
Accumulated amortization and impairment				
Balance, January 1, 2010	$	(936)	(6,704)	(153)
Amortization		–	–	(31)
Impairment charge		—	(2,435)	—
Reversal of impairment		—	1,274	—
Balance, December 31, 2010	$	(936)	(7,865)	(184)
Amortization		—	—	(21)
Reversal of impairment – continuing operations		–	2,911	—
Reversal of impairment – discontinued operations (note 7)		—	2,852	—
Balance, December 31, 2011	**$**	**(936)**	**(2,102)**	**(205)**
Net book value				
At January 1, 2010	**$**	**6,109**	**149,752**	**52**
At December 31, 2010	**$**	**6,109**	**148,766**	**21**
At December 31, 2011	**$**	**6,109**	**151,712**	**—**

Additions
The additions to internally-developed broadcast licences consisted of the direct costs attributed to launching four new repeater licences in 2010 and one conversion from AM to FM in 2011.

Disposals
The disposal of $2,852,000 represented the carrying values of the two Winnipeg licences sold in November 2011. Additional details on this disposal are included in note 7 of the consolidated financial statements.

Impairment charge and reversal of impairment charge
For the purposes of assessing impairment, broadcast licences are grouped at the cash-generating unit ("CGU") level which is the lowest level for which there are largely independent cash inflows. As a result, some broadcast licences are tested individually for impairment and some are tested at the CGU level. For broadcast licence impairment testing purposes, the Company has identified twenty CGU's, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals are included as a separate line on the income statement.

In 2010, the Company concluded that broadcast licences were impaired by $2,435,000; however, $1,274,000 of previously recognized impairment charges were reversed. Impairment charges arose because the recoverable amounts for two CGU's located in Alberta were less than their carrying amount. The impairment reversals were a result of financial performance improvements experienced in 2010, particularly in one CGU located in Alberta.

6. GOODWILL, BROADCAST LICENCES AND OTHER INTANGIBLE ASSETS (continued)

Impairment charge and reversal of impairment charge (continued)

For the year ended December 31, 2011, previously recognized impairment charges were reversed in the amount of $5,763,000. $2,852,000 of this was a result of the sale of the Winnipeg broadcast licences where the fair value less costs to sell exceeded the carrying value of the licences, prompting a reversal of prior impairment charges (refer to note 7). The other impairment reversals of $2,911,000 all arose in CGU's located in Alberta where financial performance has rebounded in light of more favourable economic conditions in that Province. In addition, certain stations in the Alberta CGU's were converted from AM to FM which improved financial projections and the discount rates used to determine value-in-use were lower in 2011 than 2010, mostly due to lower cost of debt, which increased the value of discounted cash flows.

Goodwill is allocated to those CGU's that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. As of December 31, 2011 and December 31, 2010, there was no goodwill impairment.

Recoverable amount

The recoverable amounts of the CGU's have been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the Board of Directors covering a five-year period. Cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is based upon historical inflation rates. The pre-tax discount rates applied to cash flow projections, which were based on the Company's weighted average cost of capital, ranged from 10.4% to 11.5% as at January 1, 2010, 10.3% to 10.9% as at October 31, 2010, and 9.4% to 10.1% as at October 31, 2011. Cash flow projections are extended beyond the five year budget period because broadcast licences and goodwill are indefinite life assets.

Key assumptions used in value-in-use calculations

The calculations of value-in-use for the CGU's are most sensitive to the following assumptions:

- Discount rates
- Growth rates and market share during the budget period, and
- Growth rate used to extrapolate cash flows beyond the budget period

Discount rates — Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company and its CGU's and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. CGU specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data.

Growth rates and market share assumptions — Growth rates used over the five year budget period are largely based on historical growth rates achieved for two to three years preceding the start of the budget period. The rates are increased over the budget period for anticipated improvements. The growth rates depend also on whether the CGU is a mature market station versus a start-up (defined to be in its first 5 years of operations). Management assesses how the CGU's market position, relative to its competitors, might change over the budget period. Management expects the Company's share of the market to be stable over the budget period.

Long-term growth rate estimates - Cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is based upon historical inflation rates.

6. GOODWILL, BROADCAST LICENCES AND OTHER INTANGIBLE ASSETS (continued)

Sensitivity to changes in assumptions

The possibility of new market entrants can have an impact on growth rate assumptions, as can adverse ratings results which would impact market share. However, management does not believe these would have a significant adverse effect on the forecasts included in the budget and management's conclusions on impairment would not be materially different as a result. The determination of value-in-use is sensitive to the discount rates used and therefore management's conclusions on impairment could be materially different if the assumptions used to determine the discount rates changed.

7. DISCONTINUED OPERATIONS

In November 2011, the Company disposed of its net assets associated with CKJS AM and CHNK FM in Winnipeg, Manitoba for proceeds of $5,500,000, plus an amount for trade receivables which is subject to adjustment. The financial results from these cash-generating units and the gain on disposal have been treated as discontinued operations in the consolidated income statement and statement of cash flows for both 2011 and 2010. The results from these cash-generating units were also excluded from the Broadcasting segment results in segmented information presented in note 19 of the consolidated financial statements.

As a result of this disposal, the Company has decreased broadcast licences by $2,852,000, property and equipment by $1,206,000, current assets by $236,000 and has recorded a gain of $1,338,000. The reported gain on disposal of discontinued operations is subject to change because of the possible adjustment for trade receivable proceeds; however, the impact, if any, will be minimal.

Selected financial information for the cash-generating units included in discontinued operations is presented below:

(thousands of Canadian dollars)		**2011**	2010
Revenue	**$**	**1,283**	1,358
Operating expenses		**(1,394)**	(1,640)
Depreciation		**(81)**	(92)
		(192)	(374)
Accretion of other liabilities		**(8)**	(12)
Broadcast licence impairment reversal due to the remeasurement to fair value less costs to sell (note 6)		**2,852**	—
Gain on disposal of discontinued operations		**1,338**	—
Profit (loss) from discontinued operations before provision for taxes		**3,990**	(386)
Provision for income taxes:			
Current income tax recovery		**(162)**	(123)
Deferred income tax expense		**655**	6
		493	(117)
Profit (loss) from discontinued operations	**$**	**3,497**	(269)
Earnings per share, from discontinued operations			
Basic	**$**	**0.12**	(0.01)
Diluted		**0.11**	(0.01)

The portion of deferred income tax expense related to the gain on disposal of discontinued operations was $408,000.

8. BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of Canadian dollars)		**2011**	2010	January 1,2010
Revolving term credit facility of $90 million, renewable bi-annually, maturing June 2013	$	**40,500**	53,500	57,100
Less: Current portion		**–**	—	(57,100)
Less: Debt transaction costs, net of accumulated amortization of $216 (2010 – $114)		**(289)**	(342)	—
	$	**40,211**	53,158	—

In 2011, the Company renewed its credit facility to extend the expiry date from June 2012 to June 2013. In addition the facility was increased from $76,500,000 to $90,000,000 and interest rates were reduced by 50 basis points.

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 entered into interest rate swap agreements (see note 14(b)) 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 $3,988,000 for interest on long-term debt (2010 - $3,592,000).

9. OTHER LIABILITIES

(thousands of Canadian dollars)		**2011**	2010	January 1,2010
CCD commitments, net of current portion of $2,434 (2010 – $2,358; January 1, 2010 - $2,328) included in accounts payable and accrued liabilities	$	**2,321**	4,713	6,626
Accrued pension benefit liability (notes 10 & 22(g))		**8,566**	8,238	7,911
Deferred tenant inducements		**1,676**	1,885	2,091
Interest rate swap payable, net of current portion of $121 included in accounts payable and accrued liabilities (2010 – $116; January 1, 2010 - $163) and net of cumulative credit risk adjustment of $14 (2010 – $25; January 1, 2010 - $95) (note 14(b))		**2,305**	2,889	3,591
Stock appreciation rights payable, net of current portion of $501 included in accounts payable and accrued liabilities (2010 – $905; January 1, 2010 - $1,185) (notes 11 & 22(f))		**122**	140	492
	$	**14,990**	17,865	20,711

CCD commitments are measured based on the amortized cost using EIM which gives rise to accretion expense which amounted to $447,000 (2010 - $671,000). EIM rates used to determine the value of CCD commitments range from 8.0% to12.2%. The discounted CCD commitments are due as follows: 2012 - $2,434,000; 2013 - $1,443,000; 2014 – $574,000; 2015 - $191,000; 2016 - $68,000 and thereafter $45,000. The undiscounted amount payable for CCD commitments is $5,151,000 of which $2,637,000 is current (2010 - $7,941,000 of which $2,743,000 was current; January 1, 2010 - $10,509,000 of which $2,895,000 was current). Additional CCD commitments will be recognized in 2012 as a result of subsequent events disclosed in note 20.

The Company has issued letters of credit totaling $789,000 in support of certain of these liabilities.

10. EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution pension plan and defined benefit pension plans.

Defined contribution pension plan

The defined contribution pension plan covers the majority of the Company's employees. The Company's contributions to the defined contribution plan are based on percentages of gross salaries and in 2011 totaled $1,526,000 (2010 - $1,423,000).

Defined benefit pension 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.

Items related to the Company's defined benefit pension plans are presented as follows in the consolidated financial statements:

(thousands of Canadian dollars)	**2011**	2010	January 1, 2010
Statement of financial position:			
Accrued pension benefit asset, included in other assets (note 5)	**$ —**	741	1,083
Accrued pension benefit liability, included in other liabilities (note 9)	**(8,566)**	(8,238)	(7,911)
Income statement:			
Pension benefit expense, included in operating expenses	**$ 334**	361	—
Other comprehensive losses and accumulated other comprehensive losses:			
Actuarial losses recognized in the statement of other comprehensive income	**$ 1,252**	819	—
Cumulative actuarial losses recognized in the statement of other comprehensive income	**$ 2,071**	819	—

10. EMPLOYEE BENEFIT PLANS (continued)

Defined benefit pension plans (continued)

The following summarizes the movements in the defined benefit pension plan balances:

	2011		2010		January 1, 2010	
(thousands of Canadian dollars)	**Basic Plan**	**SRPA**	Basic Plan	SRPA	Basic Plan	SRPA
Accrued benefit obligations						
Balance, beginning of year	**$ 4,756**	**8,238**	4,105	7,911	3,375	7,398
Current service cost	**97**	**—**	80	—	60	—
Interest cost	**234**	**373**	232	411	236	472
Benefits paid	**(159)**	**(517)**	(157)	(511)	(155)	(511)
Termination benefit	**13**	**—**	—	—	—	—
Actuarial losses	**455**	**162**	496	427	589	552
Balance, end of year	**5,396**	**8,256**	4,756	8,238	4,105	7,911
Plan assets						
Fair value, beginning of year	**5,497**	**—**	5,188	—	4,499	—
Actual return on plan assets						
Expected return on plan assets	**379**	**—**	358	—	310	—
Actuarial gains (losses)	**(635)**	**—**	104	—	530	—
Employee contributions	**4**	**—**	4	—	4	—
Benefits paid	**(159)**	**—**	(157)	—	(155)	—
Fair value, end of year	**5,086**	**—**	5,497	—	5,188	—
Net accrued pension benefit asset (liability)	**$ (310)**	**(8,256)**	741	(8,238)	1,083	(7,911)

Pension benefit expense recognized in the income statement, as operating expenses, is as follows:

	2011		2010	
(thousands of Canadian dollars)	**Basic Plan**	**SRPA**	Basic Plan	SRPA
Current service cost, net of employee contributions	**$ 93**	**—**	76	—
Interest cost	**234**	**373**	232	411
Past service cost	**13**	**—**	—	—
Expected return on plan assets	**(379)**	**—**	(358)	—
Defined benefit plan (income) expense	**$ (39)**	**373**	(50)	411

The actual return on plan assets was a loss of $209,000 in 2011 (2010 - income of $518,000).

10. EMPLOYEE BENEFIT PLANS (continued)

Defined Benefit Pension Plan (continued)

Actuarial gains and losses recognized in other comprehensive income are as follows:

	2011			2010		
(thousands of Canadian dollars)	**Basic Plan**	**SRPA**	**Total**	Basic Plan	SRPA	Total
Cumulative actuarial losses, beginning of year	**$ 392**	**427**	**819**	—	—	—
Recognized actuarial losses during the year	**1,090**	**162**	**1,252**	392	427	819
Cumulative actuarial losses, end of year	**$ 1,482**	**589**	**2,071**	392	427	819

The principal actuarial assumptions were as follows:

	2011		2010		January 1, 2010	
	Basic Plan	**SRPA**	Basic Plan	SRPA	Basic Plan	SRPA
Discount rate for the accrued benefit obligation	4.1%	4.1%	4.9%	4.9%	5.7%	5.7%
Expected long-term rate of return on plan assets	6.0%	N/A	7.0%	N/A	7.0%	N/A
Future pension increases	2.5%	1.3%	3.0%	1.3%	3.0%	1.3%
Future compensation increases for the accrued benefit obligation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Plan assets for the Basic Plan consist of:

	2011	2010	January 1,2010
Equity funds	64%	63%	60%
Fixed income funds	31%	28%	32%
Money market funds	5%	9%	8%
	100%	100%	100%

The pension plan has no direct investments in Newfoundland Capital Corporation Limited nor any of its affiliates. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities; although there is a good portion also invested in bonds and other highly liquid assets. The Company believes that equities offer the best returns over the long term with an acceptable level of risk.

The estimate for expected long-term rate of return on plan assets is determined considering the expected returns available on the assets underlying the current investment. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period.

11. SHARE-BASED COMPENSATION PLANS

The Company has the following share-based compensation plans:

Share Purchase Plan

Compensation expense for the Company's share purchase plan was $516,000 (2010 - $485,000) and is included in operating expenses.

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. As at December 31, 2011, 425,000 rights remained outstanding (2010 - 1,020,750). The SARS' expiry dates range from May 2012 to February 2015. 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. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in the income statement. Fair value is measured using the Black-Scholes option-pricing model.

Year-to-date, 595,750 SARS (2010 - 454,250) were exercised for cash proceeds of $707,000 (2010 - $604,000). Compensation expense related to SARS for the year was $285,000 (2010 - recovery of $28,000). The total obligation for SARS compensation was $623,000 of which $501,000 was current and classified as accounts payable and accrued liabilities (2010 - compensation payable was $1,045,000, of which $905,000 was current; January 1, 2010 - compensation payable was $1,677,000, of which $1,185,000 was current). The intrinsic value obligation for SARS, for those SARS that were fully vested at December 31, 2011 was $595,000 (2010 - $1,005,000; January 1, 2010 - $1,544,000).

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

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
Risk-free interest rate	**2.49%**	3.52%	4.10%
Dividend yield	**2.26%**	1.74%	1.43%
Volatility factors of the expected market price of the Company's Class A shares	**26.5%**	28.2%	26.5%
Expected life of the SARS	**5.0 years**	5.0 years	5.0 years
Fair value per SAR	**$1.46**	$1.02	$1.16

The expected life of the SARS is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARS is indicative of future trends, which may also not necessarily be the actual outcome.

Executive Stock Option Plan

At year end, the number of Class A shares reserved for issuance pursuant to the executive stock option plan was 3,219,970. The number of Class A shares underlying outstanding options under the executive stock option plan was 2,530,000. 689,970 options remained 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

11. SHARE-BASED COMPENSATION PLANS (continued)

Executive Stock Option Plan (continued)

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. The expiry dates range from May 2012 to December 2016. 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 twentyfive percent vest on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case shares are issued from treasury based on a formula that takes into account the market value of the Company's Class A shares and the option's strike price.

The following summarizes the Company's outstanding stock options which have a weighted average remaining contractual life of 1.95 years (2010 - 2.62 years; January 1, 2010 - 3.26 years). Subsequent to year end, the Company's Board of Directors approved the extension of the expiry date for 2,200,000 options by five years. This is subject to the approval of the Toronto Stock Exchange, and a portion is also subject to shareholder approval. If approved, the Company would be required to recognize an estimated $1,000,000 in operating expenses due to this modification and the weighted average remaining contractual life would increase from 1.95 years to 6.30 years.

	2011		2010	
	Number	**Price***	Number	Price*
Balance, beginning of year	**2,650,000**	**$ 3.91**	2,590,000	$3.85
Granted	**270,000**	**7.30**	60,000	6.77
Exercised	**(390,000)**	**(3.66)**	—	—
Balance, end of year	**2,530,000**	**4.31**	2,650,000	3.91
Total options vested	**2,242,500**	**3.96**	2,469,000	3.72

** weighted average exercise price*

Range of Exercise Price	**Number of Options Outstanding at December 31, 2011**	**Weighted Average Remaining Life**	**Price***	**Number of Options Exercisable at December 31, 2011**	**Price***
$ 2.43 – 2.67	**825,000**	**1.46**	**$2.64**	825,000	$2.64
2.80 – 2.98	**495,000**	**0.89**	**2.83**	495,000	2.83
3.89	**300,000**	**2.96**	**3.89**	300,000	3.89
5.83 – 7.46	**910,000**	**2.64**	**6.78**	622,500	6.63
	2,530,000	**1.95**	**4.31**	2,242,500	3.96

** weighted average exercise price*

The compensation expense related to stock options for 2011 was $108,000 (2010 - $138,000) and was recorded in operating expenses.

11. SHARE-BASED COMPENSATION PLANS (continued)

Executive Stock Option Plan (continued)

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

	2011	2010
Weighted average risk-free interest rate	**1.55%**	2.59%
Dividend yield	**2.23%**	1.38%
Weighted average volatility factors of the expected market price of the Company's Class A shares	**26.9%**	26.3%
Weighted average expected life of the options	**5.0 years**	5.0 years
Weighted average fair value per option	**$0.96**	$1.10

The assumptions presented in the above table are different than those for SARs because SARs are re-measured each reporting period while stock options are measured on the grant date. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

12. SHARE CAPITAL

	Issued shares	**2011**
	(thousands of shares)	*(thousands of Canadian dollars)*
Balance, January 1, 2010	32,972	**$ 42,913**
Share repurchase	(1,460)	**(2,100)**
Balance, December 31, 2010	31,512	**40,813**
Share repurchase	(1,388)	**(2,002)**
Exercise of stock options	206	**968**
Balance, December 31, 2011	**30,330**	**$ 39,779**

Capital stock, unlimited number authorized at no par value, is made up as follows:

	Issued shares	**2011**	2010	January 1, 2010
	(thousands of shares)		*(thousands of Canadian dollars)*	
Class A Subordinate Voting Shares (2010 - 27,740; January 1, 2010 - 29,199)	26,558	**$ 38,871**	39,905	42,005
Class B Common Shares (2010 - 3,772; January 1, 2010 - 3,773)	3,772	**908**	908	908
	30,330	**$ 39,779**	40,813	42,913

12. SHARE CAPITAL (continued)

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

The Class A Subordinate Voting shares ("Class A shares") carry one vote per share and the Class B Common shares ("Class B 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 shares, the Class B shares are entitled to one vote per share. In addition, the ten votes attaching to each Class B share shall be decreased to one vote 180 days following the acquisition of Class B shares pursuant to a take-over bid where the ownership of Class B shares, after the acquisition, exceeds 50%. In all other respects, these shares rank equally. The outstanding Class B 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.

Share repurchases

In 2011, pursuant to the Normal Course Issuer Bid which expired February 8, 2012, the Company repurchased for cancellation 1,388,072 (2010 - 1,459,978) of its outstanding Class A shares for $8,744,000 (2010 - $9,227,000). As a result of these share repurchases, capital stock was reduced by $2,002,000 (2010 - $2,100,000; January 1, 2010 - $nil) and retained earnings by $6,742,000 (2010 - $7,127,000; January 1, 2010 - $nil).

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 11, during the year 390,000 options were exercised (2010 - nil); 375,000 using the cashless exercise option resulting in 191,000 shares being issued from treasury while 15,000 were exercised for cash proceeds of $84,000 (2010 - $nil). Due to the exercise of options, share capital was increased by $968,000 year-to-date (2010 - $nil; January 1, 2010 - $nil) and contributed surplus was reduced by $884,000 (2010 - $nil; January 1, 2010 - $nil).

Dividends

During 2011, the Company declared total dividends of $0.15 (2010 - $0.12) per Class A and Class B shares. Dividends paid in 2011 totaled $3,711,000 (2010 - $5,275,000). Dividends totaling $2,730,000 were payable at year end (2010 - $1,891,000; January 1, 2010 – $3,297,000).

13. CONTRIBUTED SURPLUS

(thousands of Canadian dollars)	
Balance, January 1, 2010	**$ 2,038**
Executive stock option plan compensation expense (note 11)	**138**
Balance, December 31, 2010	**2,176**
Exercise of stock options (note 12)	**(884)**
Executive stock option plan compensation expense (note 11)	**108**
Balance, December 31, 2011	**$ 1,400**

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 12.2%.

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

(thousands of Canadian dollars) Description	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Financial assets at fair value through profit or loss:				
Cash and bank indebtedness	**$ (1,557)**	(1,557)	—	—
Marketable securities	**6,588**	6,588	—	—
Loans and receivables:				
Accounts receivable	**25,466**	—	25,466	—
Equity total return swap receivable	**889**	—	889	—
Items accounted for as hedges:				
Interest rate swap payable	**(2,440)**	—	(2,440	—
Other liabilities at amortized cost				
Accounts payable and accrued liabilities, net of current portion of CCD commitments and current interest accrued on the interest rate swap	**(15,085)**	—	(15,085)	—
Long-term debt	**(40,500)**	—	(40,500)	—
CCD commitments	**(4,755)**	—	(4,755)	—

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

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

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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 maximum credit exposure approximated $26,400,000 as at December 31, 2011, which included accounts receivable and the equity total return swap receivable. 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 $1,570,000 as at December 31, 2011. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% 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. The total amount written off in the year was $409,000 which represents a very small portion of accounts receivable and revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

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

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 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, 2011, a 10% change in the share prices of each marketable security would result in a $550,000 change in profit.

For the year ended December 31, 2011, the mark-to-market change in fair value of marketable securities, recorded in other income, was an unrealized gain of $1,302,000 (2010 - $1,084,000). In 2010, the Company disposed of certain investments triggering losses of $349,000.

b) 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. One has a notional value of $10,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. 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. Hedge accounting applies to $50,000,000 of the $55,000,000 notional value.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

b) Interest rate risk management (continued)

Interest rate fluctuations would not have had a significant impact on the Company's profit because the majority of long-term debt is hedged. A 0.5% change in floating interest rates would have had minimal impact on profit. A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the year end fair value of the interest rate swaps by approximately $300,000, which would have not flowed through profit, but rather would have been recorded in OCI in the year.

At year end, the aggregate fair value payable of the swap agreements was $2,440,000 and is included, net of accrued interest recorded as a current liability, in other liabilities on the statement of financial position (2010 - $3,030,000; January 1, 2010 - $3,849,000). The before-tax change in fair value of the swaps included in OCI was a gain of $590,000 (2010 - $490,000). The before-tax interest income transferred from OCI to profit was $131,000 (2010 - $85,000). The $131,000 transferred to profit consisted primarily of $91,000 related to hedge ineffectiveness and $45,000 related to the de-designated portion of the hedge (before-tax). In 2010, the $85,000 transfer from OCI to net income consisted primarily of $35,000 related to the de-designated portion of the hedge and $70,000 related to the Company's own credit risk (before-tax).

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 fluctuated 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 expired 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.

During the year, the Company wound-up a portion of its equity total return swap. Year-to-date, 855,600 of the 1,275,000 notional Class A shares under the swap agreement have been terminated. For the remaining notional 419,400 Class A shares, the Company amended the terms of the swap agreement extending the expiry date to July 2013. This amended instrument, however, does not qualify for hedge accounting and as such gains and losses are recorded immediately through profit. The recognition of gains and losses through OCI no longer applies.

Year-to-date realized before-tax gains recorded in profit were $1,349,000; $659,000 related to the portion of the swap that was terminated.

During 2010, 550,750 of the 1,275,000 notional Class A shares qualified for hedge accounting and the before-tax change in fair value was a loss of $127,000; of which $71,000 was realized and transferred from OCI to net income.

The estimated fair value of the equity total return swap current receivable balance based on the Class A shares' market price at December 31, 2011 was $889,000 (2010 - $1,339,000; January 1, 2010 - $1,466,000; of which $56,000 was non-current).

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.

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**2013 - 2016**	**Thereafter**
Long-term debt (note 8)	**$**	**–**	40,500	–
Bank indebtedness		**1,557**	–	–
Accounts payable and accrued liabilities, net of current portion of CCD commitments		**15,206**	–	–
Dividends payable		**2,730**	–	–
Income taxes payable		**17,214**	–	–
CCD commitments, undiscounted (notes 9 and 20)		**2,751**	2,796	142
	$	**39,458**	43,296	142

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 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 seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the quarter and at quarter end.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Capital risk (continued)

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, 2011.

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 Canadian dollars, except percentages)		**2011**	2010
Statutory income tax rate		**32.5%**	34.0%
Provision based on the statutory income tax rate applied to profit from continuing operations	**$**	**10,062**	5,833
Increase (decrease) due to:			
Subsidiary rate differential		**(1,153)**	(579)
Non-taxable portion of broadcast licence impairment (recovery) charge		**(417)**	136
Non-taxable portion of realized and unrealized capital gains		**(172)**	(64)
Non-deductible stock-based compensation		**35**	47
Provincial capital tax and other		**(74)**	(41)
Deferred income tax expense (recovery) relating to the changes in corporate income tax rates		**147**	21
Deferred income tax recovery relating to the origination and reversal of temporary differences		**(84)**	(95)
	$	**8,344**	5,258
The components of the provision for income taxes on profit from continuing operations are as follows:			
Current tax expense	**$**	**6,905**	4,357
Deferred income tax expense		**1,439**	901
	$	**8,344**	5,258

15. PROVISION FOR INCOME TAXES (continued)

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

(thousands of Canadian dollars)	**2011**	2010	January 1,2010
Deferred income tax assets			
Canadian Content Development commitments	**$ 809**	1,051	1,318
Tax loss carryforwards	**631**	904	756
Employee benefit plans	**2,640**	2,308	2,102
Other	**672**	759	1,117
Deferred income tax liabilities			
Property and equipment	**(2,743)**	(2,678)	(2,515)
Broadcast licences and goodwill	**(16,881)**	(15,589)	(15,391)
Other	**(310)**	(109)	—
Net deferred income tax liability	**$ (15,182)**	(13,354)	(12,613)
The net deferred income tax liability is included under the following captions on the consolidated balance sheets:			
Long-term deferred income tax assets	**$ 4,750**	5,022	5,293
Long-term deferred income tax liabilities	**(19,932)**	(18,376)	(17,906)
	$ (15,182)	(13,354)	(12,613)

The Company recognizes the benefits of capital and non-capital loss carryforwards as deferred tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. As at year end, the Company had available loss carryforwards of $2,327,000. A deferred income tax asset of $631,000 (2010 - $904,000; January 1, 2010 - $756,000) has been recognized in respect of loss carryforwards. The available loss carryforwards will expire as follows: $1,539,000 in 2026; $173,000 in 2027; $300,000 in 2028; and $315,000 in 2031.

The changes in the components of the Company's deferred income tax assets and liabilities are as follows:

	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010		
(thousands of Canadian dollars)	Continuing Operations	Discontinued Operations	OCI	Continuing Operations	Discontinued Operations	OCI
Deferred income tax assets						
Canadian Content Development commitments	$ 236	6	—	263	4	—
Tax loss carryforwards	273	—	—	(148)	—	—
Employee benefit plans	56	—	(388)	48	—	(254)
Other	(35)	—	122	270	—	89
Deferred income tax liabilities						
Property and equipment	64	1	—	161	2	—
Broadcast licences and goodwill	644	648	—	198	—	—
Other	201	—	—	109	—	—
Deferred income tax expense (recovery)	$ 1,439	655	(266)	901	6	(165)

16. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

Diluted earnings per share amounts are calculated by dividing profit by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

(thousands)	**2011**	2010
Weighted average common shares used in calculation of basic earnings per share	**30,397**	32,729
Effect of dilution related to executive stock options	**1,135**	1,187
Weighted average common shares used in calculation of diluted earnings per share	**31,532**	33,916

17. SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of Canadian dollars)		**2011**	2010
Change in non-cash working capital relating to operating activities from continuing operations			
Marketable securities, excluding $1,302 related to unrealized gains (2010 - $1,084)	**$**	**–**	721
Receivables		**(193)**	(1,758)
Prepaid expenses		**112**	(199)
Accounts payable and accrued liabilities		**595**	6,995
	$	**514**	5,759

18. COMMITMENTS AND CONTINGENCIES

Operating leases and other

The Company has total commitments of $16,240,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows: 2012 - $3,609,000; 2013 - $2,859,000; 2014 - $2,260,000; 2015 - $2,194,000; 2016 - $1,883,000 and thereafter $3,435,000. Generally, lease terms for properties extend from five to fifteen years, with at least one renewal period while leases for vehicles and equipment generally have no renewal periods with terms extending from one year to several years.

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.

19. OPERATING SEGMENT 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. Its revenue relates to hotel operations. Details of segment operations are set out below. Results from Winnipeg operations have been excluded from the Broadcasting segment figures as a result of accounting for discontinued operations as described in note 7.

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
2011				
Revenue	**$**	**122,462**	**4,144**	**126,606**
Operating expenses		**80,897**	**10,454**	**91,351**
Depreciation and amortization		**3,679**	**268**	**3,947**
Operating profit (loss)	**$**	**37,886**	**(6,578)**	**31,308**
Assets employed	**$**	**214,735**	**19,205**	**233,940**
Liabilities		**(90,339)**	**(23,935)**	**(114,274)**
Other disclosures				
Broadcast licences		**151,712**	**—**	**151,712**
Goodwill		**6,109**	**—**	**6,109**
Capital expenditures		**5,143**	**536**	**5,679**
Impairment reversal on broadcast licences		**2,912**	**—**	**2,912**
2010				
Revenue	$	112,445	3,596	116,041
Operating expenses		79,150	10,635	89,785
Depreciation and amortization		3,529	258	3,787
Operating profit (loss)	$	29,766	(7,297)	22,469
Assets employed	$	211,680	19,708	231,388
Liabilities		(86,664)	(37,541)	(124,205)
Other disclosures				
Broadcast licences		148,766	—	148,766
Goodwill		6,109	—	6,109
Capital expenditures		2,705	244	2,949
Impairment charge on broadcast licences		(1,161)	—	(1,161)
As at January 1, 2010				
Assets employed	$	211,802	20,177	231,979
Liabilities		(111,903)	(11,259)	(123,162)
Other disclosures				
Broadcast licences		149,752	—	149,752
Goodwill		6,109	—	6,109

20. SUBSEQUENT EVENTS

Business Acquisition

Subsequent to year end, the Company received CRTC approval to acquire two FM stations in Penticton and Kelowna, British Columbia for approximately $7,000,000. The transaction was completed on February 26, 2012 and is subject to working capital adjustments. Upon completion, the Company became obligated for CCD commitments of approximately $520,000, of which $320,000 is considered to be a transaction cost, and will therefore be expensed in the first quarter of 2012.

AM to FM conversion

Subsequent to year end, the Company received CRTC approval to convert its AM station in Stettler, Alberta to FM. As a result of this approval, the Company has additional CCD commitments of $17,500 payable evenly over 7 years that will be recorded as an increase to the broadcast licence value upon the launch of the FM station.

Share repurchases

Subsequent to year end, the Company received approval under a Normal Course Issuer Bid to repurchase up to 1,327,922 Class A shares and 113,151 Class B shares. This bid expires February 12, 2013.

21. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Related Parties

These consolidated financial statements include the financial statements of the two wholly-owned subsidiaries: Newcap Inc. and the Glynmill Inn Incorporated. Any balances owing or receivable between these entities are eliminated on consolidation. In addition, the Company has a 29.9% interest in an entity which operates a radio station. The Company does not control this entity, it is a significant influence investment and as such the Company records its share of profit based on equity accounting, as more fully disclosed in note 5.

Directors of the Company control 64% of the Class A Shares and 97% of the Class B shares of the Company. The Company has transacted with Directors and key personnel during the reporting period. The terms and conditions of the transactions with key management personnel and related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel or related entities on an arm's length basis. From time to time directors of the Company, or their related entities, may purchase or sell goods and services from/to the Company. These transactions are on the same terms and conditions as those entered into by other Company employees or customers. No transactions with key personnel or related parties, either individually or as a group, were material in the year.

The key management personnel of the Company are the Chairman, President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Key management personnel remuneration for the years ended December 31, 2011 and December 31, 2010 includes:

(thousands of Canadian dollars)	**2011**	2010
Short-term benefits		
Salaries including bonuses	**$ 3,016**	2,543
Other	**274**	285
Post-employment benefits		
Defined benefit pension plan expense	**225**	256
Defined contribution pension plan expense	**57**	51
Share-based compensation expense	**172**	33
Total remuneration included in operating expenses	**$ 3,744**	3,168

21. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES (continued)

The amounts disclosed in this table are the amounts recognized as operating expenses for accounting purposes during the period and do not represent cash payments.

The Company's executive compensation program is based on attracting, motivating and retaining high-quality executives by providing a competitive level of compensation that rewards individual performance. The major elements of the Company's executive compensation program are base salary, performance based compensation and long-term compensation in the form of granting executive stock options, stock appreciation rights, and retirement benefits. Personal benefits and other perquisite benefits provided to senior management relate to employer contributions toward the Company's Employee Share Purchase Plan and to life insurance policies.

22. TRANSITION TO IFRS

These are the Company's first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's date of transition to IFRS was January 1, 2010. For periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP).

The Company's IFRS accounting policies presented in note 3 have been applied consistently in the preparation of the consolidated financial statements for the years ended December 31, 2011 and December 31, 2010 and in the preparation of the IFRS statement of financial position as at January 1, 2010, as at December 31, 2010 and as at December 31, 2011.

The Company has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these first IFRS consolidated financial statements. The effects of the transition to IFRS equity, total comprehensive income and reported cash flows is set out in the following tables and the notes that accompany the tables. Specifics of IFRS 1 are also explained below:

IFRS 1 exemptions

IFRS 1 sets out specific guidelines that a first-time adopter must adhere to where certain circumstances apply. The following guidelines have been applied to the Company's opening statement of financial position dated January 1, 2010:

i. Hedge accounting

Hedge accounting can only be applied prospectively from the date of transition to transactions that satisfy the hedge accounting criteria. Hedging relationships cannot be designated retrospectively and the documentation of the hedging relationship cannot be created retrospectively. Only hedging relationships that satisfied the hedge accounting criteria as of the Company's transition date are reflected as hedges in the Company's results under IFRS. Each of the Company's hedging relationships were assessed to conclude that all hedges recorded under GAAP qualified for hedge accounting under IFRS at the date of transition.

ii. Use of estimates

Retrospective adjustments to accounting estimates or judgments are not allowed as part of the transition, unless there is objective evidence that the estimates applied were in error. With the exception of changing the method of calculating depreciation from declining-balance to straight-line, no estimates previously applied by the Company under GAAP were revised upon adoption of IFRS except where necessary to reflect any difference in accounting policies. Additional details on the estimate change for determining depreciation expense are disclosed in note 22(a).

22. TRANSITION TO IFRS (continued)

ii. Use of estimates (continued)

IFRS 1 has certain exemptions from the general requirement to fully apply IFRS standards retrospectively as at the date of transition. The Company has opted to take the following IFRS 1 exemptions:

iii. Business combinations
IFRS 3 *Business Combinations* has not been applied to acquisitions that occurred before January 1, 2010. Use of this exemption means that the previous GAAP carrying amounts of assets and liabilities, which are required to be recognized under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Company did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements.

In accordance with IFRS 1, the Company has tested goodwill, broadcast licences and other intangible assets for impairment at the date of transition to IFRS. As a result, broadcast licences, goodwill and one of the Company's finite-life intangible assets were impaired by $6,704,000, $936,000 and $256,000, respectively. This is further described below under "Explanatory notes to transitional IFRS adjustments" in notes 22 (b), (c) and (d).

iv. Employee future benefits
The Company has elected to recognize, as part of its transition adjustment to retained earnings, all of its unrecognized cumulative actuarial gains and losses and vested past service costs as calculated in conjunction with an IFRS compliant actuarial valuation. The Company has also elected to disclose the following amounts prospectively from the date of transition: (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan liabilities and the plan assets.

v. Share-based payments
The Company has elected to not retrospectively apply IFRS 2 *Share-based Payments* to its equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

22. TRANSITION TO IFRS (continued)

Reconciliation of equity

Shareholders' equity as at January, 1, 2010 and at December 31, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

		December 31, 2010			January 1, 2010		
	Note 22	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
ASSETS							
Current assets							
Marketable securities		$ 5,286	—	5,286	4,923	—	4,923
Receivables		25,589	—	25,589	23,831	—	23,831
Prepaid expenses		977	—	977	778	—	778
Other assets		1,339	—	1,339	1,810	—	1,810
Deferred income tax assets	h	793	(793)	—	1,173	(1,173)	—
Total current assets		33,984	(793)	33,191	32,515	(1,173)	31,342
Non-current assets							
Property and equipment	a	36,305	(1,619)	34,686	37,248	(1,385)	35,863
Other assets	d,g	4,596	(982)	3,614	4,216	(596)	3,620
Broadcast licences	b	148,207	559	148,766	149,641	111	149,752
Goodwill	c	7,045	(936)	6,109	7,045	(936)	6,109
Deferred income tax assets	h	2,216	2,806	5,022	2,188	3,105	5,293
Total assets		$ 232,353	(965)	231,388	232,853	(874)	231,979
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities							
Bank indebtedness		$ 1,380	—	1,380	99	—	99
Accounts payable and accrued liabilities	f	20,875	34	20,909	17,118	95	17,213
Dividends payable		1,891	—	1,891	3,297	—	3,297
Income taxes payable		10,626	—	10,626	6,836	—	6,836
Current portion of long-term debt		—	—	—	57,100	—	57,100
Total current liabilities		34,772	34	34,806	84,450	95	84,545
Non-current liabilities							
Long-term debt		53,158	—	53,158	—	—	—
Other liabilities	f,g	15,830	2,035	17,865	18,946	1,765	20,711
Deferred income tax liabilities	h	26,604	(8,228)	18,376	25,668	(7,762)	17,906
Total liabilities		$ 130,364	(6,159)	124,205	129,064	(5,902)	123,162
Shareholders' equity							
Common shares		$ 40,813	—	40,813	42,913	—	42,913
Contributed surplus	f	2,492	(316)	2,176	2,157	(119)	2,038
Accumulated other comprehensive loss	g	(1,637)	(565)	(2,202)	(1,897)	—	(1,897)
Retained earnings	j	60,321	6,075	66,396	60,616	5,147	65,763
Total equity		$ 101,989	5,194	107,183	103,789	5,028	108,817
Total liabilities and shareholders' equity		$ 232,353	(965)	231,388	232,853	(874)	231,979

22. TRANSITION TO IFRS (continued)

Reconciliation of the income statement

The income statement for the year ended December 31, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

		Year ended December 31, 2010		
	Note 22	Previous GAAP*	Effect of transition to IFRS	IFRS
Revenue		$ 116,041	–	116,041
Operating expenses	f,g	90,189	(404)	89,785
Depreciation and amortization	a,d	3,570	217	3,787
Operating profit		22,282	187	22,469
Interest expense		3,639	–	3,639
Accretion of other liabilities		671	–	671
Other expense (income)		(158)	–	(158)
Broadcast licence impairment charge	b	1,609	(448)	1,161
Profit from continuing operations before income taxes		16,521	635	17,156
Provision for income taxes				
Current		4,357	–	4,357
Deferred		1,194	(293)	901
	i	5,551	(293)	5,258
Profit from continuing operations		10,970	928	11,898
Loss from discontinued operations		(269)	–	(269)
Profit for the period		$ 10,701	928	11,629
Earnings per share from continuing operations				
Basic		$ 0.33	0.03	0.36
Diluted		0.32	0.03	0.35
Earnings per share				
Basic		$ 0.33	0.03	0.35
Diluted		0.32	0.02	0.34

**Previous GAAP has been restated to reflect discontinued operations as disclosed in note 7.*

22. TRANSITION TO IFRS (continued)

Reconciliation of comprehensive income

The statement of comprehensive income for the year ended December 31, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

		Year ended December 31, 2010		
	Note 22	Previous GAAP	Effect of transition to IFRS	IFRS
Profit for the period		$ 10,701	928	11,629
Other comprehensive income				
Cash flow hedges:				
Net movement on interest rate swaps		405	—	405
Income tax expense		(108)	—	(108)
		297	—	297
Net movement on total equity return swap		(56)	—	(56)
Income tax recovery		19	—	19
		(37)	—	(37)
Defined benefit plan actuarial losses	g	—	(819)	(819)
Income tax recovery	i	—	254	254
		—	(565)	(565)
Other comprehensive income		260	(565)	(305)
Comprehensive income		$ 10,961	363	11,324

22. TRANSITION TO IFRS (continued)

Reconciliation of the statement of cash flows

The statement of cash flows for the year ended December 31, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

	Year ended December 31, 2010		
	Previous GAAP*	Effect of transition to IFRS	IFRS
Operating Activities			
Profit from continuing operations before provision for income taxes	$ 16,521	635	17,156
Provision for income taxes from continuing operations	(5,551)	5,551	—
Profit from continuing operations for the period	10,970	—	—
Items not involving cash from continuing operations			
Depreciation and amortization	3,570	217	3,787
Deferred income taxes	1,200	(1,200)	—
Broadcast licence impairment loss	1,609	(448)	1,161
Share-based compensation plans	401	(291)	110
Accretion of other liabilities	671	—	671
Unrealized gains on marketable securities	(1,084)	—	(1,084)
Other	253	(116)	137
	17,590	4,348	21,938
Net change in non-cash working capital from continuing operations	5,530	229	5,759
	23,120	4,577	27,697
Interest paid	—	(4,131)	(4,131)
Income taxes paid	—	(446)	(446)
	23,120	—	23,120
Discontinued operations	(114)	—	(114)
Net cash flows from operating activities	23,006	—	23,006
Financing Activities			
Change in bank indebtedness	1,281	—	1,281
Long-term debt borrowings	12,500	—	12,500
Long-term debt repayments	(16,100)	—	(16,100)
Repurchase of capital stock	(9,227)	—	(9,227)
Dividends paid	(5,275)	—	(5,275)
Other	(419)	—	(419)
	(17,240)	—	(17,240)
Investing Activities			
Property and equipment additions	(2,949)	—	(2,949)
Canadian Content Development commitment payments	(2,759)	—	(2,759)
Other	(58)	—	(58)
	(5,766)	—	(5,766)
Cash, beginning and end of period	$ —	—	—

**Previous GAAP has been restated to reflect discontinued operations as disclosed in note 7.*

Under IFRS, it is common to begin with "profit before provision for income taxes" and under IFRS interest paid and income taxes paid are incorporated into the cash flow statement. Other than these format changes, all adjustments due to the IFRS transition result from the changes described for the statement of financial position and income statement.

22. TRANSITION TO IFRS (continued)

Explanatory notes to transitional IFRS adjustments

IFRS employs a conceptual framework that is similar to GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's GAAP statement of financial position as at January 1, 2010 and December 31, 2010, and its income statement, statement of comprehensive income and statement of cash flows for the year ended December 31, 2010 have been reconciled to IFRS. The following explanatory notes provide further details of the transitional adjustments and a summary of accounting policies adopted under IFRS:

a. Property and equipment

IAS 16 *Property, Plant and Equipment* requires significant component parts of property and equipment to be depreciated separately. This gives rise to more accurate depreciation expense. Management updated all useful lives to ensure depreciation is measured appropriately. The Company also changed how it depreciates property and equipment from the declining-balance method to the straight-line method. Management believes this change in estimate provides more accurate depreciation expense. This change in estimate resulted in an increase in accumulated depreciation of $970,000 on transition (this is included in the January 1, 2010 adjustment of $1,385,000 described below). The Company applied IAS 16 retrospectively which resulted in a restatement of accumulated depreciation. The impact is as follows:

- January 1, 2010 financial position - accumulated depreciation was increased and the net book value of property and equipment was reduced by $1,385,000, deferred tax liability decreased by $360,000 and retained earnings reduced by $1,025,000.

- December 31, 2010 financial position - accumulated depreciation was increased and the net book value of property and equipment was reduced by $1,619,000, deferred tax liability decreased by $455,000 and retained earnings reduced by $1,164,000.

- December 31, 2010 income statement - depreciation expense was increased by $233,000 and provision for income taxes reduced by $63,000.

b. Broadcast licences

Application of IAS 38 Intangible Assets
Under GAAP, the Company stopped amortizing its broadcast licences on January 1, 2002 pursuant to revised GAAP accounting standards which were applied prospectively. Under IFRS indefinite life intangible assets are not amortized. Because the Company must adopt IFRS retrospectively, the amount of accumulated amortization of broadcast licences had to be eliminated on the transition date. The impact was as follows:

- January 1, 2010 and December 31, 2010 financial position - the Company increased broadcast licences by $6,815,000, increased deferred tax liability by $1,819,000 and increased retained earnings by $4,996,000.

22. TRANSITION TO IFRS (continued)

b. Broadcast licences (continued)

Application of IAS 36 Impairment of Assets
Upon transition, the Company was required to conduct an impairment analysis of its broadcast licences as prescribed by the standards in IAS 36 Impairment of Assets as disclosed in note 6. Testing for impairment under IAS 36 differs from GAAP; the significant differences are described in note 22(e). The Company performed its impairment assessment and determined impairments existed on transition and on October 31, 2010.

The following describes the impact on financial results by applying IAS 36 and IAS 38:

- January 1, 2010 financial position – the Company reduced the carrying value of broadcast licences, due to impairment charges, by $6,704,000, decreased deferred tax liabilities by $1,719,000 and decreased retained earnings by $4,985,000.

- December 31, 2010 financial position – in addition to the above-noted reversal of accumulated amortization and the impairment charges, there were several elements that affected previously reported December 31, 2010 broadcast licence balance; they are presented below:
  Under GAAP, in the second quarter of 2010, the Company had recognized an impairment charge of
  - $1,609,000. Because under IFRS this impairment existed as at January 1, 2010, the GAAP impairment charge was eliminated from the comparative income statement under IFRS. This adjustment also increased deferred tax liabilities and retained earnings by $435,000 and $1,174,000 respectively.

  - The Company, having chosen October 31 as its annual impairment assessment date, recognized additional impairment charges which reduced broadcast licenses by a further $1,161,000 which is net of the recovery of impairment charges in certain CGU's totalling $1,274,000. This adjustment also reduced deferred tax liabilities and retained earnings by $316,000 and $772,000 respectively.

- December 31, 2010 income statement – the net effect of the changes described above for the second and fourth quarter had a net impact of reducing the impairment charge by $448,000 and increasing provision for income taxes by $121,000.

c. Goodwill

Upon transition, the Company was required to conduct an impairment analysis of goodwill as prescribed by the standards in IAS 36 *Impairment of Assets* as disclosed in note 6. Testing for impairment under IAS 36 differs from GAAP; the significant difference being that future plans cannot be included in the cash flow projections used to determine the fair value of an asset or a CGU. The Company conducted its impairment assessment and concluded that impairment existed on the transition date. The impact was as follows:

- January 1, 2010 and December 31, 2010 financial position – the Company recorded a goodwill impairment loss of $936,000 which also reduced deferred tax liabilities by $250,000 and retained earnings by $686,000.

The Company, having chosen October 31 as its annual impairment assessment date, concluded there was no further goodwill impairment; therefore there was no impact on the December 31, 2010 income statement.

IAS 36 allows the reversal of impairment losses when certain criteria are met; however, goodwill impairment losses cannot be reversed.

22. TRANSITION TO IFRS (continued)

d. Other intangible assets

Upon transition, the Company was required to conduct an impairment analysis of its other intangible assets as prescribed by standards in IAS 36 *Impairment of Assets* as disclosed in note 6. Other assets included a customer list which was deemed to be impaired on January 1, 2010. The results are as follows:

- January 1, 2010 financial position - the Company recorded an impairment loss on its customer list in the amount of $256,000 which also reduced deferred tax liabilities by $67,000 and retained earnings by $189,000.
- December 31, 2010 financial position - other assets were reduced by $240,000 because of the January 1, 2010 write off of the customer list described above which also reduced deferred tax liabilities by $67,000 and retained earnings by $173,000.
- December 31, 2010 income statement - amortization of intangible assets expense was reduced by $16,000 and provision for income taxes increased by $4,000.

e. Impairment of non-financial assets

In order to assess impairment of non-financial assets, the Company compares an asset's, or a CGU's, recoverable amount to its carrying amount. As disclosed in notes 22 (b), (c) and (d) and in note 6, the Company concluded that impairment existed on certain of its intangible assets and goodwill. The following is a summary of the significant differences between GAAP and IFRS impairment testing requirements that impacted the results of the Company's impairment conclusions:

Cash-Generating Units ("CGU")
Under GAAP, impairment testing was conducted at the reporting unit level. In reporting units, assets having interdependent net cash flows were aggregated together. IFRS aggregates assets together in a CGU for those having interdependent cash inflows. This posed a difference in how the Company grouped its assets together and has resulted in differences in impairment conclusions.

Determination of the recoverable amount
Under GAAP, the Company performed its recoverability test on broadcast licences by first comparing the fair value (based on projected cash flows) of the asset to its carrying amount. If the fair value was less than the carrying value, an impairment charge equal to the difference was recognized. For all other long-lived assets, the undiscounted cash flows would have been compared to the assets' carrying amounts. Under IFRS, the impairment charge is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. The Company's method of determining recoverable amount under GAAP and under IFRS is similar in many ways; however, under IFRS the impact of future plans, like expansions or improvements (such as AM to FM conversions), cannot be included in the projected cash flows to determine the recoverable amount. Under GAAP, the Company could include estimates in its cash flows for future plans.

Reversal of impairment
Under GAAP, an impairment charge may not be reversed. Under IFRS, impairment charge on assets other than goodwill can be reversed if certain criteria are met.

22. TRANSITION TO IFRS (continued)

f. Share-based payments

The significant differences between GAAP and IFRS as it relates to share-based payments are as follows:

Recognition of expense
Under GAAP, for share-based awards with graded vesting, the fair value of the award is recognized on a straight-line basis over the time period necessary for the award to vest. Under IFRS, each tranche within an award having graded vesting features is considered a separate grant with a different vesting date and a different fair value.

Cash-settled share-based payments
IFRS requires the measurement of fair value of cash-settled share-based payments to be based on an appropriate option pricing model whereas under GAAP it was measured at intrinsic value. In addition, until SARS are settled the Company must re-measure its SARS obligation at each reporting date with changes in fair value being recorded in net income as SARS vest.

Forfeiture
Under GAAP, forfeiture of awards is recognized as it occurs. Under IFRS, an estimate of the number of awards expected to vest is made on the measurement date. If subsequent information indicates that actual forfeiture is likely to differ from that estimate, an adjustment is made at that time. There was no impact on the Company's figures as a result of this change.

Stock appreciation rights (SARS)
IFRS 2 *Share-based Payments* requires that cash-settled share-based payments be measured using an appropriate pricing model and that each tranche within an award be treated as a separate award. Under GAAP, the Company previously measured its obligations for stock appreciation rights using the intrinsic value and treated each tranche within an award as one pooled award. As a result of retrospectively applying IFRS 2, the impact is as follows:

- January 1, 2010 financial position – the Company increased its current liability relating to SARS by $95,000 (included in accounts payable and accrued liabilities), its long-term SARS liability by $39,000 (included in other liabilities), increased deferred tax assets by $43,000 and decreased retained earnings by $91,000.

- December 31, 2010 financial position – the Company increased its current and non-current SARS liability by $34,000 and $6,000, respectively. Deferred tax assets increased by $13,000 and retained earnings decreased by $27,000.

- December 31, 2010 income statement – SARS compensation expense, included in operating expenses, was decreased by $95,000 and provision for income taxes increased by $31,000.

Executive stock options
As described above, IFRS 2 requires that each tranche within an award of options be treated separately. Under GAAP, the Company pooled the options and determined the fair value using the average life of the options and recognized the expense on a straight-line basis over the average life. As a result of the retrospective application of IFRS 2 on the Company's options not vested as at January 1, 2010, the following was impacted:

- January 1, 2010 financial position – the Company decreased contributed surplus by $119,000 which increased retained earnings by an equal amount.

- December 31, 2010 financial position – the Company decreased contributed surplus by $316,000 which increased retained earnings by an equal amount.

22. TRANSITION TO IFRS (continued)

f. Share-based payments (continued)

Executive stock options (continued)

- December 31, 2010 income statement – the Company decreased operating expenses by $197,000 related to stock option compensation.

g. Employee future benefits

The Company elected to apply the IFRS 1 exemption as it relates to its defined benefit pension plan, as described earlier in point (iv) under the heading "IFRS 1 exemptions". The following summarizes the financial impact:

- January 1, 2010 financial position – the Company reduced its accrued pension benefit assets (included in other assets) by $340,000, increased its accrued pension benefit liability (included in other liabilities) by $1,726,000, increased its deferred tax assets by $630,000 and charged retained earnings by $1,436,000.
- December 31, 2010 financial position – the Company's accrued pension benefit asset was reduced by $742,000 and its accrued pension benefit liability was increased by $2,030,000; $819,000 of the December 31, 2010 adjustment related to actuarial losses which the Company has elected to charge to equity rather than the income statement. The tax impact was to increase deferred tax assets by $859,000; $254,000 of which was to increase OCI deferred tax assets. Finally, retained earnings were reduced by $1,348,000 and accumulated other comprehensive income (AOCI) by $565,000.
- December 31, 2010 income statement – the Company's pension expense was reduced by $113,000 and provision for income tax increased by $35,000.
- December 31, 2010 statement of comprehensive income – the Company recognized $819,000 of actuarial losses in OCI and increased the related income tax recovery by $254,000.

The significant differences between GAAP and IFRS as it relates to employee future benefits are as follows:

IFRS 1 exemption applied

As a result of opting to use the IFRS 1 exemption relating to employee future benefits, all of the Company's unrecognized cumulative actuarial gains and losses under GAAP were charged to retained earnings on transition date.

Past service costs

Under IAS 19 *Employee Benefits,* all vested past service costs are required to be immediately expensed. Under GAAP, past service costs were expensed over the average remaining service period of the employees. The opening retained earnings adjustment includes the impact of recognizing unrecognized cumulative vested past service costs.

Recognition of actuarial gains and losses

Under GAAP, the Company utilized the corridor method to account for actuarial gains and losses. This method allowed the gains and losses not to be recognized as long as they were less than 10% of the plan assets or of the defined benefit obligation, whichever was higher. While there is a similar deferral method available under IFRS, on transition, the Company elected to adopt the immediate recognition method, an option available in IAS 19, where the Company is able to write off actuarial gains and losses directly to comprehensive income each year which is the reason $565,000 is charged to AOCI as at December 31, 2010.

Detailed information on the Company's defined benefit plans, including the restatements of prior periods due to the adoption of IFRS, can be found in note 10.

22. TRANSITION TO IFRS (continued)

h. Deferred tax assets and liabilities

Future income taxes as known under GAAP are entitled deferred taxes under IFRS. Under IFRS, there is no current classification of deferred taxes and therefore the amount previously recorded as current deferred tax assets has been reclassified to non-current deferred tax assets ($1,173,000 and $793,000 reclassified as non-current deferred tax assets on January 1, 2010 and December 31, 2010, respectively).

A significant difference between GAAP and IFRS is that under IFRS, deferred tax assets and liabilities are not recognized on internally-developed intangible assets. Deferred tax assets and liabilities are not recognized for taxable temporary differences where the deferred tax asset or liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. This affects the company's internally-developed broadcasting licences which arise due to the obligation to fund Canadian Content Development. This represented $22,584,000 of broadcast licence value and $7,690,000 of remaining CCD obligations as at January 1, 2010.

The company is not restating any prior business combinations on transition. The interpretation of the tax basis will however change and give rise to a change in deferred tax. Under GAAP the tax base for certain intangible asset acquisitions can be increased beyond the related cumulative eligible capital balance. The effect is that there is no future income tax created on intangibles acquired in an asset deal business combination under GAAP. Under IFRS there is no equivalent provision. The Company considered that a sale is the most likely method of reversal for the broadcast license timing difference. In order to determine the deferred tax under the "on sale" basis it was necessary to determine the amount of cumulative eligible capital deductions that have been taken in the past to determine the amount of deferred tax liability that will reverse at the "recapture" rate. This effectively reduced the timing difference on which the deferred tax liability is calculated upon, by $17,746,000 as at January 1, 2010.

And finally, under IFRS there will be a deferred tax asset related to the accretion interest portion of the Canadian Content Development obligation.

The changes to deferred tax assets and deferred tax liabilities are summarized as follows:

(thousands of Canadian dollars)			
Description	Note 22	December 31 2010	January 1 2010
Property and equipment	a	$ (455)	(360)
Reversal of broadcast licence accumulated amortization	b	1,819	1,819
Impairment of broadcast licences	b	(1,600)	(1,719)
Impairment of goodwill	c	(250)	(250)
Impairment of other intangible assets	d	(67)	(67)
Share-based payments	f	(13)	(43)
Employee future benefits	g	(859)	(630)
De-recognition of deferred tax liability on internally-developed intangible assets	h	(6,029)	(6,029)
De-recognition of deferred tax asset arising from CCD obligations	h	1,757	2,162
Tax basis and reversal assumptions	h	(4,544)	(4,577)
Net decrease in deferred tax liabilities		$ (10,241)	(9,694)
Deferred tax asset on actuarial losses recognized in AOCI	g	254	—
Net deferred tax impact on retained earnings	j	$ (9,987)	(9,694)

Detailed information on the Company's deferred income tax assets and liabilities, including the restatements of prior periods due to the adoption of IFRS, can be found in note 15.

22. TRANSITION TO IFRS (continued)

i. Provision for income taxes

The following table summarizes the impact of the transition on the provision for income taxes:

(thousands of Canadian dollars)		
Description	Note 22	December 31 2010
Depreciation expense	a	$ (63)
Impairment of broadcast licences	b	121
Amortization	d	4
Share-based payments	f	31
Employee future benefits	g	35
De-recognition of deferred tax expense on internally-developed intangibles	h	(421)
		$ (293)

In addition the amount of income tax recovery related to the defined benefit plan actuarial losses recognized in OCI was $254,000.

Detailed information on the Company's provision for income taxes, including the restatements of prior periods due to the adoption of IFRS, can be found in note 15.

Accounting for uncertainty in income tax positions

Under GAAP, benefits or liabilities for uncertain tax positions are determined based on whether it is more likely than not that an uncertain tax position will be sustained upon examination and the amount recorded is based on the single best estimate of the amount to be realized. Under IFRS, the provision for uncertain tax positions is a best estimate of the amount probable to be paid based on a qualitative assessment of all relevant factors. The Company determined that there was no impact on transition to IFRS with respect to the recognition and measurement of its uncertain tax positions.

j. Adjustments to retained earnings

The following table summarizes the increases (decreases) to retained earnings:

(thousands of Canadian dollars)			
Description	Note 22	December 31 2010	January 1 2010
Retained earnings, as stated under GAAP		$ 60,321	60,616
Property and equipment	a	(1,619)	(1,385)
Broadcast licences - reversal of accumulated amortization	b	6,815	6,815
Broadcast licences - impairment	b	(6,256)	(6,704)
Goodwill	c	(936)	(936)
Other intangible asset	d	(240)	(256)
Share-based payments	f	277	(15)
Employee future benefits	g	(1,953)	(2,066)
Net deferred tax liabilities	h	9,987	9,694
Total adjustment to retained earnings on transition to IFRS		6,075	5,147
Retained earnings, as restated under IFRS		$ 66,396	65,763

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, a Director of the East Coast Music Association Board, 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 with 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 FCA in 1983 for outstanding service to the profession and the community.

(1) Member of the Audit and Governance Committee

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

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

David Matheson conducts a corporate and international advisory practice through the services of the Matheson Global Advisory Group as its managing director after having been a corporate partner at McMillan LLP for many years. The Group is a national and international business connecting organization. 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 served as a director and as a chairman and member of numerous audit and governance committees for public companies. He has written and spoken extensively, nationally and internationally, on tax-related financial reporting, corporate governance and securities law compliance. His knowledge of the Company's financial affairs and internal control and systems is extensive.

Michael (Mickey) C. MacDonald[1]

Halifax, Nova Scotia
Director since 2006
Micco Developments
President

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.

Allen F. MacPhee[1]

Halifax, Nova Scotia
Director since 2011
A.F. MacPhee Holdings Ltd.
President

Al MacPhee is a very successful and well-known businessman who has run very successful automobile dealerships, one of which became the largest General Motors dealership in Atlantic Canada and one of the top ten in Canada. He is currently the Chairman of the Canadian Automobile Dealers Association. In 2009, Al MacPhee was inducted into the Junior Achievement Business Hall of Fame of Nova Scotia and in 2010 was honoured as one of Atlantic Canada's Top 50 CEO's. Al is a very active participant in community based organizations. He is a past board member of the Victoria General Hospital Foundation. He also supports the Dartmouth General Hospital's activities with his wife Mary who is a current member of the Hospital's board. Al served two consecutive terms on the Board of Governors of the Cape Breton University located in Sydney, Nova Scotia.

Assets at a Glance

Western Region

Region	Location	Name	Call Letters	Format	AM/ FM/TV	Frequency
West	Athabasca	94.1 The River	CKBA-FM	Classic Hits/Today's Hits	FM	94.1 MHz
West	Blairmore	Mountain Radio	CJPR-FM	Country	FM	94.9 MHz
West	Bonnyville	KOOL-FM	CJEG-FM	Contemporary Hit Radio	FM	101.3MHz
West	Brooks	Q105.7	CIBQ-FM	Country	FM	105.7 MHz
West	Brooks	101.1 The One	CIXF-FM	Hot AC	FM	101.1 MHz
West	Calgary	AMP 90.3 FM	CKMP-FM	CHR/Top 40	FM	90.3 MHz
West	Calgary	XL-103.1 FM	CFXL-FM	Classic Hits	FM	103.1 MHz
West	Camrose	CAM-FM	CFCW-FM	Classic Hits	FM	98.1 MHz
West	Camrose	CFCW	CFCW	Country	AM	790kHz
West	Cold Lake	K-Rock/Lakeland	CJXK-FM	Classic Rock	FM	95.3 MHz
West	Drumheller	Q91	CKDQ	Country	AM	910 kHz
West	Edmonton	Capital FM	CKRA-FM	Greatest Hits	FM	96.3 MHz
West	Edmonton	K-97	CIRK-FM	Classic Rock	FM	97.3 MHz
West	Edson	The Eagle CFXE	CFXE-FM	Classic Hits/Today's Hits	FM	94.3 MHz
West	Elkford	Mountain Radio	CJEV®	Country	AM	1340 kHz
West	Fort McMurray	K-Rock 100.5	CHFT-FM	Classic Rock	FM	100.5 MHz
West	Grande Cache	The Eagle CFXG	CFXG-FM®	Classic Hits/Today's Hits	FM	93.3 MHz
West	High Prairie	Prairie FM	CKVH-FM	Greatest Hits	FM	93.5 MHz
West	Hinton	The Eagle CFXH	CFXH-FM	Classic Hits/Today's Hits	FM	97.5 MHz
West	Jasper	The Eagle CFXP	CFXP-FM®	Classic Hits/Today's Hits	FM	95.5 MHz
West	Kelowna	K96.3	CKKO-FM	Classic Rock	FM	96.3 MHz
West	Keremeos	100.7 Giant FM	CIGV-FM1®	Country	FM	98.8 MHz
West	Lac La Biche	Big Dog	CILB-FM	Classic Hits	FM	103.5 MHz
West	Lloydminster	CILR	CILR-FM	Tourism Information	FM	98.9 MHz
West	Lloydminster	Lloyd-FM	CKSA-FM	Country	FM	95.9MHz
West	Lloydminster	CBC	CKSA-DT	CBC	TV	CH-2
West	Lloydminster	CTV	CITL-DT	CTV	TV	CH-4
West	Penticton	100.7 Giant FM	CIGV-FM	Country	FM	100.7 MHz
West	Pincher Creek	Mountain Radio	CJPV-FM®	Country	FM	92.7 MHz
West	Princeton	100.7 Giant FM	CIGV-FM2®	Country	FM	98.1 MHz
West	Red Deer	KG Country 95.5	CKGY-FM	Country	FM	95.5 MHz
West	Red Deer	Z99-FM	CIZZ-FM	Classic Rock	FM	98.9 MHz
West	Slave Lake	92.7 Lake-FM	CHSL-FM	Classic Hits	FM	92.7 MHz
West	St. Paul	97.7	CHSP-FM	The Spur	FM	97.7 MHz
West	Stettler [1]	Q14	CKSQ	Country	AM	1400 kHz
West	Wainwright	Key 83	CKKY	Country	AM	830 kHz
West	Wainwright	Wayne-FM	CKWY-FM	Classic Hits	FM	93.7 MHz
West	Westlock	The Range	CKWB-FM	Country	FM	97.9 MHz
West	Wetaskiwin	W 1440	CKJR	Classic Hits	AM	1440 kHz
West	Whitecourt	The Rig 96.7	CFXW-FM	Rock	FM	96.7 MHz

® Repeating Signal
(1) The Company received approval to convert this station to FM

Central Region

Central	Ottawa	Hot 89.9	CIHT-FM	Contemporary Hit Radio	FM	89.9 MHz
Central	Ottawa	LiVE 88.5 FM	CILV-FM	Alternative Rock	FM	88.5 MHz
Central	Sudbury	Rewind 103.9 FM	CHNO-FM	Classic Hits	FM	103.9 MHz
Central	Sudbury	Hot 93.5	CIGM-FM	Contemporary Hit Radio	FM	93.5 MHz

Eastern Region

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

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 Information Circular.

Some examples of our commitment to transparency, integrity, and duty of care are:

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, Marketing & Central Operations

Kim Day
Vice-President, Finance

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@canstockta.com
or write to: Newfoundland Capital Corporation Limited
c/o The Canadian Stock Transfer Company,
P.O. Box 700
Station B
Montreal, QC H3B 3K3

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
The Toronto-Dominion Bank

Legal Counsel

Stewart McKelvey

Annual meeting

The Annual General Meeting of Shareholders will be held at 11:00 a.m., Wednesday, May 2, 2012 in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, NS.

Newfoundland Capital Corporation Limited
745 Windmill Road
Dartmouth, Nova Scotia
Canada B3B 1C2