Newfoundland Capital Corporation Limited

2013 Annual Report

NewCap RADIO

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Newfoundland Capital Corporation Limited
("the Company", "Newcap" or "Newcap Radio") owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 89 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	2013 Results
We strive to increase revenue and manage discretionary costs to deliver strong EBITDA margins.	By engaging listeners and serving the communities we broadcast to, by increasing our ratings thereby expanding our market share, by partnering with our advertisers to produce creative and valuable advertising - these are the things the Company endeavours to do every day in order to continue delivering strong financial results year after year.	We posted positive revenue growth again in 2013; a year when the industry's growth rate was flat.
Our goal is to provide locally-focused programming, to provide our advertisers with tailor-made ads to meet their business needs and to deliver fun contests and promotions to fully engage our listeners every day.		In the next pages, stories of how our radio stations impacted the communities we serve will demonstrate that the Company is committed to local initiatives and delivering creative content.
We are continuously conducting research, and re-branding stations in order to maintain high ratings to increase listener base and market share.		December's rating results were favourable again this year. Examples of stations that were re-branded, as a result of ongoing research, included Halifax's Radio 96-5 and Fredericton's The New Hot 92.3.

GOAL - GROWTH BY NEW LICENCES & CONVERSIONS

How	Why	2013 Results
As new licences are awarded to us through the CRTC application process, we try to launch those new stations as soon as possible.	By launching newly granted licences and by converting AM stations to the FM dial as quickly as possible, the Company benefits by increasing asset value, by reaching a larger audience base, and by having a larger market presence for the benefit of advertisers.	The Company launched two new radio stations in New Brunswick this year - one in Fredericton and the other in Miramichi.
Once approved by the CRTC, our goal is to convert existing AM stations to FM stations as quickly as possible.		We converted two AM stations to FM stations in 2013 and launched a new FM repeater station.

GOAL - GROWTH BY ACQUISITION

How	Why	2013 Results
We continue to explore acquisitions that may meet our investment criteria.	By acquiring radio stations, the Company benefits from immediate and accretive cash flows.	In January 2013, we acquired The Eagle in Sydney, NS and in August we announced the largest purchase agreement in the Company's history to acquire radio stations in the two largest Canadian markets - Toronto and Vancouver (CRTC approval pending).

LETTER TO SHAREHOLDERS

In 2013 we made a transformational move for the Company by entering into the largest purchase agreement in Newcap's history.

The agreement, which is subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"), is to acquire a total of five radio stations, two of which are in Toronto and three in Vancouver. We have long wanted to have a presence in these markets and this acquisition is a major step forward for Newcap, significantly increasing the size of our business and making us a true coast-to-coast broadcaster. We are hopeful that the purchase will be finalized early in 2014.

Financial results

2013 proved to be challenging. While our financial results did not meet our expectations, revenue in the Broadcasting segment grew 3% over last year which exceeded the performance of the Canadian radio industry which was flat. One half of the revenue growth this year was organic while the remainder was attributable to incremental revenue from stations acquired and launched in Sydney, Fredericton and Miramichi.

Broadcasting segment earnings before interest, taxes, depreciation and amortization ("EBITDA") were 2% lower than last year because of higher operating costs associated with new station launches, re-branding a radio station, along with higher advertising costs and increased variable costs in line with higher revenue.

Profit was higher than 2012 mostly attributable to a gain on disposal in 2013 in contrast to last year's results which included a large impairment charge.

Throughout 2013 we have continued our concerted efforts to maintain strong audience ratings and we have improved and changed formats where appropriate to respond to individual market needs.

SIGNIFICANT EVENTS

In addition to the pending acquisition of the five radio stations in Toronto and Vancouver, some of the other more significant events this year included the acquisition of CKCH-FM, The Eagle, in Sydney in January. We launched two new FM radio stations in Fredericton and Miramichi in the second quarter. We converted AM stations to FM in two markets and launched a new FM repeater station. In the third quarter, we announced that we had entered into an agreement, subject to CRTC approval, to acquire an FM radio station in Saint John. And finally in December, we sold our radio station in Fort McMurray.

OUTLOOK

Revenue bookings so far in 2014 are pacing ahead of last year. Our operating strategy has served us well in past years and we will continue to operate on that basis, ensuring we generate the highest EBITDA possible.

2014 will be a year of expansion with much of management's focus on effectively integrating the operations of the new Toronto and Vancouver stations. The objective is to integrate the operations as quickly and smoothly as possible so that they are accretive on day one. And while this expansionary activity is taking place, we are keenly aware that we must maintain the growth of our organic operations.

FINAL COMMENTS

Over the years, we have been very fortunate in recruiting and retaining an exceptionally talented group of employees. It is because of their leadership, strength, creativity and dedication that Newcap has been so successful. And for that we thank them. We also thank our Board of Directors whose ongoing guidance and support are truly valued. And finally to our shareholders, thank you for your continued interest in the Company.

2014 is shaping up to be an exciting and transformational year for Newcap - stay tuned.

Sincerely,

Rob Steele
President and Chief Executive Officer

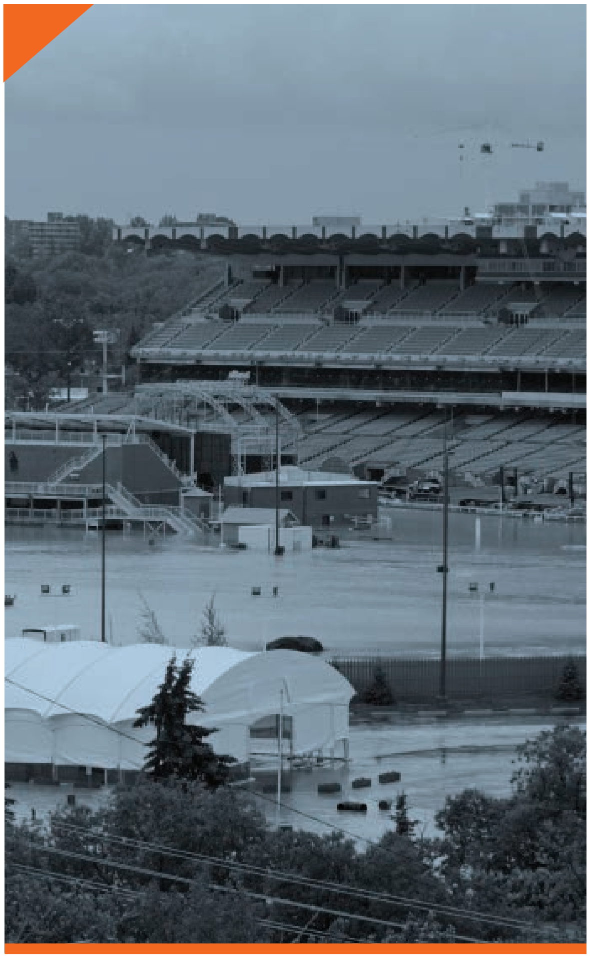
Harry Steele
Chairman

RADIO

IMPACTING EVERY DAY LIVES

Radio can often be taken for granted. For many people, radio is like a utility.

You get in the car, and it's there. You get to work, and it's there too. But when natural disaster strikes, people immediately stop taking radio for granted. Radio quickly becomes the lifeline of the community, even in today's socially connected electronic world. That became evident once again in June of 2013 when the worst natural disaster to ever strike Calgary, Alberta occurred. The flood left thousands of people without homes, power, water, and food. Newcap Calgary stepped up. Our two stations, XL 103 and 90.3 AMP Radio, both suspended regular programming and turned to non-stop disaster relief efforts. Our staff, quite literally, lived at the radio station 24/7 in order to keep listeners up to date with the ever-changing flood situation. When the emergency ended and the clean-up began, our offices closed so that our staff could tend to their own homes and volunteer on the many clean-up crews that went door-to-door throughout the city helping neighbours recover. Both XL 103 and 90.3 AMP Radio were given accolades by the community for their hard work



The impact that radio can have on listeners is nicely summed up in this story.

A Local Hero contest, sponsored by the National Mobility Equipment Dealers Association, was underway in Alberta in April 2013 when a young CFCW listener contacted the radio station asking for support. The young lady suffers from cerebral palsy and epilepsy and is wheelchair bound. She had nominated her grandfather, her sole caregiver, to be named the Local Hero so that they could replace their 17 year-old van with a new wheelchair accessible van. CFCW's listeners helped the young lady get over 10,000 votes but it was not enough to win the contest. Luckily, Al Shamal Shriners were listening and they were so moved by her story that they surprised the young lady and her grandfather with a new van. In the end, thanks to the power of radio and the generosity of Albertans, everyone emerged a winner.

Each Christmas, 99.1 HITS-FM gives the very youngest listeners

in St. John's a very special treat with an exclusive flight to meet Santa Claus at the North Pole. Winning listeners gather at the Provincial Airline counter at St. John's International Airport where they are given boarding passes and ushered through security to board their flight. After a short flight, the plane lands… and Santa Claus himself boards the plane with gifts for the children. He is inevitably greeted by plenty of bright smiles and endless questions about the North Pole, reindeer, and Mrs. Claus. The 99.1 HITS-FM Flight to the North Pole has become one of the most heartwarming and anticipated Christmas events in St. John's!

HOT 89.9 in Ottawa is famous for attention-getting promotions,

but the radio station is also famous for having a huge heart and helping in the community. In 2013, HOT 89.9 embarked on a major community campaign to help children begin the school day with a nutritious meal. The radio station partnered with the Ottawa breakfast Program to serve 11,000 local children in 148 different schools a healthy meal. That adds up to over 2 million HOT meals in one school year!

In addition to Hot's commitment to supporting its community, the station never shies away from being seen and having fun and 2013 was no different. In the fall of 2013 the radio station decided to draft their listeners into becoming human billboards for the radio station with the I Am HOT $10,000 t-shirt. Over the course of seven weeks, HOT 89.9 gave 4,000 listeners bright yellow HOT 89.9 t-shirts that they were asked to wear 24 hours a day, 7 days a week, for the chance to win. When the HOT 89.9 team checked in on contestants at work, home, or at random locations, they awarded cash if the contestant was wearing their bright yellow I Am HOT t-shirt. HOT shirts were spotted on lawyers in courtrooms, in the back rooms of Parliament, in banks, schools, offices, and even on several women in delivery rooms about to bring new babies into the world! During the seven-week promotion, seven different listeners won a total of $70,000 cash!

Radio is always at its best when it is local and community-focused,

connecting with listeners right where they live. But in 2013, XL Country 96.9 in Moncton took the concept of "home" to an entirely new level, giving one of their listeners an actual home! The prize was the largest radio contest prize ever awarded in Atlantic Canada. The radio station partnered with a local construction company to offer the complete home and lot as an exclusive prize to their listeners. On the day of the giveaway, all of the qualifiers gathered at the front door of the house, each one hoping that the key they held in their hand would unlock the door. After sixteen people had unsuccessfully tried to unlock the front door, the holder of lucky key number 17 unlocked the door and walked into his new home.

For many, their 40th birthday is stressful, but not for KG Country 95.5,

who celebrated 40 years serving Red Deer in 2013. The station's popular morning show has been named "Best of Red Deer" as well as Canada's "On Air Personalities of the Year" at the Canadian Country Music Awards for five consecutive years. The station has also been previously acknowledged as Canada's country music "Radio Station of the Year" and Music Director Tim Day has been named Canada's country music "Music Director of the Year". KG Country 95.5 marked their 40th birthday with a major concert for their listeners.

Management's Discussion & Analysis

Management's Discussion & Analysis Table of Contents

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 ("annual financial statements"), prepared as of March 3, 2014, and related notes contained in this 2013 Annual Report.

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.

The Company's annual financial statements for the year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 3, 2014. 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 89 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 75 FM and 14 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 2013 FINANCIAL HIGHLIGHTS

Consolidated revenue grew by 3% in 2013 while consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") were down 1%. Consolidated profit was more than twice as much as last year for various reasons which are explained below. The Company's core operating segment, Broadcasting, continued to deliver revenue growth of 3% with EBITDA being 2% lower than 2012. The following points provide a brief description of the 2013 financial highlights, details of which follow in the "Analysis of Consolidated Results" section:

- 3% increase in consolidated revenue due to a combination of organic growth and incremental revenue in the Broadcasting segment;
- 1% decline in consolidated EBITDA[1] due to higher operating expenses in the Broadcasting segment resulting primarily from costs associated with new station launches and the change in branding of a station;
- Significant increase in 2013 profit due to a gain on disposal of discontinued operations in 2013, combined with lower unrealized mark-to-market losses in the investment portfolio, and lower income tax expense. These were in contrast to last year's impairment charges and higher mark-to-market unrealized losses;
- The Company declared dividends at the rate of $0.15 per share during 2013, consistent with 2012; and
- The Company repurchased a total of 1,083,890 of its outstanding Class A Subordinate Voting Shares for $9.9 million.

[1] Refer to page 34 "Non-IFRS Accounting Measure"

SIGNIFICANT 2013 OPERATIONAL HIGHLIGHTS

These were the significant 2013 operational highlights:

- Subsequent to year end, the CRTC approved two new FM licences to serve Fox Creek and Hinton, Alberta. These stations will be launched later in 2014.
- December – finalized the sale of CHFT-FM in Fort McMurray, Alberta for cash proceeds of $5.0 million plus an amount for certain working capital balances.
- October – launched a repeater licence in Wabasca, Alberta.
- September – launched CKKY-FM in Wainwright, Alberta which was converted from the AM dial.
- August – entered into an agreement with Bell Media Inc. to purchase radio stations in Toronto, Ontario and Vancouver, British Columbia for $112.0 million, subject to CRTC approval.
- July – entered into an agreement to acquire CHNI-FM in Saint John, New Brunswick from Rogers Broadcasting Ltd. for $0.8 million, subject to CRTC approval.
- June – launched the Company's second FM in Fredericton, New Brunswick. Up! 93.1 features a Classic Hits format. In March, CFRK-FM in Fredericton was re-branded as The New Hot 92.3.
- May – received CRTC approval for a new FM licence to serve Clarenville, Newfoundland and Labrador which is expected to launch later in 2014.
- April – launched 95.9 Sun FM in Miramichi, New Brunswick with a Top 40 format.
- April – converted and launched the Port Au Choix, Newfoundland and Labrador AM station to FM.
- January – completed the acquisition of CKCH-FM, The Eagle, in Sydney, Nova Scotia.

SIGNIFICANT 2012 OPERATIONAL HIGHLIGHTS

These were the significant 2012 operational highlights:

- May – the CRTC awarded the Company the two licences it had applied for in New Brunswick, one in Miramichi and the other in Fredericton.
- February – completed the acquisition of broadcasting assets related to FM licences in Penticton and Kelowna, British Columbia for cash consideration approximating $7.0 million.
- February – received CRTC approval to convert the Stettler, Alberta AM station to FM. The FM country station was launched in October 2012.
- January – launched the St. Paul, Alberta AM to FM conversion.

FINANCIAL PERFORMANCE REVIEW

Selected Financial Highlights

Since 2011, revenue has grown by 6% and this was predominantly due to growth in the broadcasting segment. Below are some of the other significant factors that affected profit between 2011 and 2013:

- 2011 – In addition to the Company's operational success in 2011, the Company reversed broadcast licence impairment charges by $5.8 million, recognized gains of $1.3 million from its equity total return swap, recognized $1.3 million of mark-to-market investment gains and recognized a $1.3 million gain on the disposal of the Winnipeg stations.
- 2012 – The Company recorded net impairment charges of $6.6 million, $2.2 million of unrealized mark-to-market losses on its investment portfolio and expensed $1.1 million related to the extension of the expiry dates of executive stock options.
- 2013 – The Company benefited from lower unrealized mark-to-market losses of $0.6 million, a gain on the disposal of the Fort McMurray operations of $3.8 million and lower income tax expense.

Due to the disposal of broadcasting assets in Fort McMurray, Alberta in December 2013, the financial results of operations from this component and its gain on disposal were treated as discontinued operations in the financial results presented below. As a result of the disposal of broadcasting assets in Winnipeg, Manitoba in November 2011, the financial results of operations from this component and its gain on disposal were treated as discontinued operations in the 2011 comparative figures. The impact of discontinued operations was to reduce revenue by $1.3 million in 2013, $1.7 million in 2012 and by $2.6 million in 2011 and to reduce profit from continuing operations by $3.4 million in 2013, $0.3 million in 2012 and $3.6 million in 2011.

Selected Financial Highlights

(thousands of Canadian dollars, except share data)	**2013**	2012	2011
Revenue	**$ 132,597**	129,289	125,288
Profit from continuing operations	**23,695**	10,626	22,559
Profit	**27,018**	10,884	26,112
Weighted average number of outstanding shares			
– basic (thousands)	**28,685**	29,759	30,397
– diluted (thousands)	**29,963**	30,908	31,532
Earnings per share			
Profit from continuing operations			
– basic	**0.83**	0.36	0.74
– diluted	**0.79**	0.34	0.72
Profit			
– basic	**0.94**	0.37	0.86
– diluted	**0.90**	0.35	0.83
Total assets	**235,605**	232,396	233,940
Long-term debt	**42,642**	47,904	40,211
Dividends declared			
Class A shares	**0.15**	0.15	0.15
Class B shares	**0.15**	0.15	0.15

Consolidated Financial Results of Operations

For the third year in a row, the Company's consolidated financial results of operations posted growth and revenue in the Broadcasting segment outpaced industry growth.

(thousands of Canadian dollars, except per share data and percentages)	Three months ended December 31			Twelve months ended December 31		
	2013	2012	% change	**2013**	2012	% change
Revenue	**$ 35,649**	35,099	2%	**132,597**	129,289	3%
Operating expenses	**(25,318)**	(24,075)	5%	**(99,399)**	(95,904)	4%
EBITDA	**10,331**	11,024	(6%)	**33,198**	33,385	(1%)
Depreciation and amortization	**(1,068)**	(1,029)	4%	**(4,208)**	(4,078)	3%
Accretion of other liabilities	**(4)**	(39)	(90%)	**(143)**	(264)	(46%)
Interest expense	**(825)**	(801)	3%	**(2,545)**	(3,577)	(29%)
Other income (expense)	**(8)**	82	n/a	**(1,017)**	(2,610)	(61%)
Impairment recovery (charge)	**–**	905	(100%)	**–**	(6,583)	(100%)
Profit from continuing operations before provision for income taxes	**8,426**	10,142	(17%)	**25,285**	16,273	55%
Provision for income taxes	**(1,402)**	(2,778)	(50%)	**(1,590)**	(5,647)	(72%)
Profit from continuing operations	**7,024**	7,364	(5%)	**23,695**	10,626	123%
Profit from discontinued operations	**3,271**	41	n/a	**3,323**	258	n/a
Profit	**$ 10,295**	7,405	39%	**27,018**	10,884	148%
EPS[1] from continuing operations						
– basic	**$ 0.25**	0.25		**0.83**	0.36	
– diluted	**0.24**	0.24		**0.79**	0.34	
EPS – basic	**$ 0.37**	0.25		**0.94**	0.37	
– diluted	**0.35**	0.24		**0.90**	0.35	

[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 $35.6 million in the fourth quarter improved by 2% or $0.6 million and for the year ended December 31, 2013, consolidated revenue of $132.6 million was 3% or $3.3 million higher than 2012. This improvement came from a combination of organic growth and incremental revenue from the acquired property in Sydney, Nova Scotia and the new FM stations launched in Fredericton and Miramichi, New Brunswick.

Operating Expenses

Consolidated operating expenses for the fourth quarter were $25.3 million, 5% or $1.2 million higher than 2012 while for the year ended December 31, 2013, they were $99.4 million, 4% or $3.5 million higher. The increases were all attributable to the Broadcasting segment and were due to incremental costs associated with the acquisition and new station launches, costs associated with re-branding a radio station, combined with higher advertising expenses and increased variable costs in line with higher revenue and inflation.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")
Fourth quarter consolidated EBITDA was $10.3 million, 6% or $0.7 million lower than the same time last year and year-to-date EBITDA of $33.2 million was 1% or $0.2 million lower than 2012 due to higher operating expenses as explained above.

More detailed analysis on the above measures follow in the Financial Review by Segment section.

Depreciation and Amortization
Depreciation and amortization in the quarter of $1.1 million and $4.2 million year-to-date were slightly higher than last year's comparative results because of a higher asset base.

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 and year-to-date were lower than the same periods last year because accretion is higher in the initial years of repayment.

Interest Expense
Interest expense in the quarter was $0.8 million, just slightly higher than 2012 and year-to-date interest was $2.5 million, $1.0 million or 29% lower than last year. The overall decrease in interest expense was due to lower interest rates, combined with a lower average debt balance.

Other Income (Expense)
Other income (expense) generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. Other income (expense) in the fourth quarter of 2013 and 2012 was negligible. Year-to-date other expense was $1.0 million, $1.6 million or 61% lower than last year. For the year, the mark-to-market unrealized losses were $0.6 million compared to last year's $2.2 million unrealized losses. Also included in Other income (expense), as part of the acquisition in Sydney, Nova Scotia, the Company recognized acquisition-related CCD costs of $0.2 million this year. In 2012, a transaction gain and acquisition-related CCD costs, which netted to just under $0.1 million, were charged to Other income (expense). These costs were a result of the purchase of stations in British Columbia. Refer to note 6 of the annual financial statements for additional details.

Impairment Recovery (Charge)
In 2013, there were no impairment charges or recoveries. In the fourth quarter of 2012, the Company reversed $0.9 million of a previously recognized broadcast licence impairment charge in one of its Alberta cash-generating units ("CGU's"). The improvement in financial performance of the Alberta CGU and the decreasing cost of debt were the main factors contributing to the impairment charge reversal. In the third quarter of 2012, the CRTC announced it was systematically phasing out the television Local Programming Improvement Fund between September 2012 and August 31, 2014. This CRTC decision impacted the financial results of the television cash-generating unit ("CGU") in Lloydminster, Alberta by permanently reducing annual EBITDA by as much as $1.0 million by 2014 and beyond. Management performed impairment analyses on the CGU and concluded that the CGU was impaired. The full value of the television broadcast licences, aggregating $7.0 million, was written off as an impairment charge. In addition to the broadcast licence impairment charge, the Company also had some impairment related to the television property and equipment amounting to $0.5 million.

Detailed information on broadcast licences, CGU's and related impairment results can be found in note 7 of the annual financial statements while details on the property and equipment impairment charge are in note 4 of the annual financial statements.

Provision for Income Taxes
In the quarter, the provision for income taxes was $1.4 million, $1.4 million or 50% lower than last year due to lower profit from continuing operations before tax. Year-to-date, the provision of $1.6 million was $4.1 million or 72% lower than last year. The effective income tax rate in the quarter was 17% and year-to-date was 6%; the statutory rate was 31%. During 2013, the Company settled on certain tax matters and re-measured certain estimates, including accrued interest, related to uncertain tax positions. The Company reduced the provision for income taxes by $5.3 million as a result. For additional details, refer to note 16 of the annual financial statements.

Discontinued Operations
In 2013, the Company disposed of its net assets associated with the FM radio station located in Fort McMurray, Alberta 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 statements. Refer to note 8 of the annual financial statements for additional details on discontinued operations.

Profit
Profit for the fourth quarter of $10.3 million was $2.9 million or 39% higher than the same quarter last year due primarily to the gain on disposal of discontinued operations. There were several factors impacting profit year-over-year which at $27.0 million was $16.1 million or 148% higher than 2012. This year, the Company recognized the gain on disposal of Fort McMurray operations, benefited from lower mark-to-market unrealized losses, in addition to the reduction of the income tax provision, described above. In contrast during 2012, the Company recorded a net impairment charge of $6.6 million, and $2.2 million of mark-to-market unrealized losses which negatively impacted profit.

Other Comprehensive Income ("OCI")
OCI consists of the net change in the fair value of the Company's cash flow hedges (interest rate 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 swap was less than $0.1 million in the fourth quarter (2012 – $0.3 million) and $0.4 million year-to-date (2012 – $1.1 million). Net actuarial gains of $1.3 million were recorded in OCI for the fourth quarter and year-to-date (2012 – less than $0.1 million of net actuarial losses 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 20 of the annual 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 the figures.

BROADCASTING SEGMENT

(thousands of Canadian dollars, except percentages)	Three months ended December 31 **2013**	2012	% change	Twelve months ended December 31 **2013**	2012	% change
Revenue	**$ 34,786**	34,242	2%	**128,905**	125,603	3%
Operating expenses	**(22,609)**	(21,303)	6%	**(87,691)**	(83,684)	5%
EBITDA	**$ 12,177**	12,939	(6%)	**41,214**	41,919	(2%)
EBITDA margin	**35%**	38%	(3%)	**32%**	33%	(1%)

Revenue

Fourth quarter revenue was $34.8 million, 2% or $0.5 million higher than the same quarter last year while year-to-date revenue of $128.9 million was 3% or $3.3 million higher compared to 2012. In the quarter and year-to-date, the revenue growth was a combination of organic growth and incremental revenue related to the new stations in Sydney, Nova Scotia and Fredericton and Miramichi, New Brunswick.

The Central Canadian radio properties continued to lead the way in revenue growth for the Company achieving an increase of 12% in the quarter and 14% year-to-date.

During 2013 national advertising for the Company was 3% higher than 2012 and local advertising increased by 2%. Ratings results in December 2013 continued to be strong with many of the Company's stations in the 13 markets surveyed ranking within the top three spots. 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 2013 was flat while the Company posted positive growth of 3% year-over-year. Forward revenue bookings are trending positively so far in 2014.

Operating Expenses

Broadcasting operating expenses for the quarter were $22.6 million, 6% or $1.3 million higher than 2012 while year-to-date expenses of $87.7 million were $4.0 million or 5% higher than last year. For the quarter and the year, the elements that resulted in increased operating expenses were the same. The two new station start-ups in New Brunswick combined with changing formats in the Halifax, Nova Scotia market contributed to the increased operating expenses. In addition, variable costs were higher in line with increased revenue and inflation.

EBITDA

Fourth quarter broadcasting EBITDA of $12.2 million was 6% or $0.7 million lower than 2012 and year-to-date EBITDA of $41.2 million was 2% or $0.7 million lower than last year. Higher operating expenses contributed to the decreases in EBITDA.

EBITDA margins were lower in 2013 primarily due to the recently launched stations which will take time to mature.

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 **2013**	2012	% change	Twelve months ended December 31 **2013**	2012	% change
Revenue	**$ 863**	857	1%	**3,692**	$ 3,686	–
Operating expenses	**(2,709)**	(2,772)	(2%)	**(11,708)**	(12,220)	(4%)
EBITDA	**$ (1,846)**	(1,915)	4%	**(8,016)**	(8,534)	6%

Revenue
Hotel revenue was slightly higher in the quarter and for the year due to improved occupancy.

Operating Expenses
Operating expenses of $2.7 million in the fourth quarter were slightly lower than last year by less than $0.1 million or 2%. Year-to-date operating expenses of $11.7 million were $0.5 million or 4% lower than 2012. During 2012, as a result of extending the expiry dates of executive stock options the Company was required to recognize a non-cash compensation expense of $1.1 million.

Additional information on executive stock options is contained in note 12 of the annual financial statements.

EBITDA
EBITDA improved in the quarter and year-to-date because of the lower operating expenses.

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. Profit in the fourth quarter of 2013 benefited from the $3.8 million gain on disposal of the Fort McMurray net assets. Third quarter profit for 2013 was positively impacted by the reduction in provision for income taxes. Positively impacting the 2012 fourth quarter profit was the reversal of a previous broadcast licence impairment charge. The third quarter was adversely impacted by impairment charges of $7.5 million related to the television CGU in Lloydminster. Finally, in the first and second quarters of 2012, profit was negatively affected by the expense related to the extension of stock option expiry dates and unrealized mark-to-market losses. The results from discontinued operations have been excluded from the figures for revenue.

		Quarter				
(thousands of Canadian dollars, except share data)		**1st**	**2nd**	**3rd**	**4th**	**Year**
2013						
Revenue	**$**	**28,765**	**35,434**	**32,749**	**35,649**	**132,597**
Profit		**2,095**	**5,972**	**8,656**	**10,295**	**27,018**
EPS – basic		**0.07**	**0.20**	**0.30**	**0.37**	**0.94**
– diluted		**0.07**	**0.19**	**0.29**	**0.35**	**0.90**
2012						
Revenue	$	27,142	33,798	33,250	35,099	129,289
Profit (loss)		781	3,759	(1,061)	7,405	10,884
EPS – basic		0.03	0.13	(0.04)	0.25	0.37
– diluted		0.03	0.12	(0.04)	0.24	0.35

CASH FLOWS

The following table depicts the major sources of cash inflows and outflows in 2013 and 2012 by operating activities, financing activities and investing activities.

(thousands of Canadian dollars)	**2013**	2012
Funds generated from continuing operations, before undernoted items	**$ 30,649**	31,064
Change in working capital from continuing operations	**2,767**	1,255
Interest and income taxes paid from continuing operations	**(10,509)**	(11,581)
Net cash flows from discontinued operations	**123**	455
Net cash flows from operating activities	**$ 23,030**	21,193
Net long-term debt (repayments) borrowings	**$ (4,500)**	7,500
Dividends paid	**(4,337)**	(4,492)
Repurchase of capital stock	**(9,921)**	(9,343)
Other, including change in bank indebtedness	**(307)**	(1,128)
Net cash flows from financing activities	**$ (19,065)**	(7,463)
Acquisition of broadcasting assets	**$ (2,040)**	(6,978)
Property and equipment additions	**(5,305)**	(4,237)
Proceeds from disposal of broadcasting assets	**5,139**	–
Canadian Content Development commitment payments	**(1,719)**	(2,797)
Other	**(40)**	282
Net cash flows from investing activities	**$ (3,965)**	(13,730)

Cash Flows – 2013

Cash flows from operating activities of $23.0 million, combined with the $5.1 million proceeds on disposal of broadcasting assets, were used to repay net long-term debt borrowings in the amount of $4.5 million, to repurchase capital stock for $9.9 million, pay dividends of $4.3 million, purchase property and equipment for $5.3 million, purchase broadcasting assets in Nova Scotia for $2.0 million, and pay CCD commitments in the amount of $1.7 million.

Cash Flows – 2012

Cash flows from operating activities of $21.2 million, combined with $7.5 million of net debt borrowings, were used to repurchase capital stock for $9.3 million, purchase broadcasting assets in British Columbia for $7.0 million, pay dividends of $4.5 million, purchase property and equipment for $4.2 million and pay CCD commitments in the amount of $2.8 million.

Capital Expenditures and Capital Budget

The more significant investments in property and equipment in 2013 related to the launch of the new FM stations in Fredericton and Miramichi, as well as general improvements and upgrades throughout the Company.

Capital expenditures for 2014 are expected to approximate $9.5 million. The major planned expenditures include the capital costs associated with the acquisitions of radio stations in Toronto, Vancouver and Saint John. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total Assets

Assets of $235.6 million were $3.2 million higher than 2012 primarily due to the higher broadcast licence and goodwill balances resulting from the acquisition and new station launches in 2013.

Liabilities, Shareholder's Equity and Capital Structure

As at December 31, 2013 the Company had $1.0 million of current bank indebtedness outstanding and $42.6 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 57% equity ($133.8 million) and 43% debt ($101.8 million) at year end.

LIQUIDITY

Liquidity Risk

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

Credit Facility and Covenants

The Company has a $90.0 million revolving credit facility with a current expiry date of June 2015. 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 quarter and at quarter 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, CCD payments, dividend payments, debt repayments, and other contractually required payments through the past several years.

New Credit Facility

In conjunction with entering the agreement to acquire the five radio stations in Toronto and Vancouver, the Company secured an additional $90.0 million non-revolving credit facility which will be drawn at closing and will be amortized over eight years. The Company's existing facility and the new facility will expire three years from the date of closing.

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, 2013, the Company's working capital balance was $8.7 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, 2013 and the future periods in which the obligations become due and payable. Additional details regarding these obligations are provided in the notes of the annual financial statements, as referenced in the table.

Contractual Obligations

(thousands of Canadian dollars)		2014	2015	2016	2017	2018	thereafter	**Total**
Long-term debt (note 9)	$	–	43,500	–	–	–	–	**43,500**
CCD commitments, undiscounted (note 15)		779	437	285	225	210	224	**2,160**
Operating leases (note 19)		4,500	3,800	3,500	2,600	1,900	1,300	**17,600**
Pension funding obligation		518	528	534	539	549	4,973	**7,641**
Total contractual obligations	$	5,797	48,265	4,319	3,364	2,659	6,497	**70,901**

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 the Toronto, Vancouver and Saint John acquisitions total $2.2 million and $10.5 million, respectively, and are more fully disclosed in note 19 of the annual financial statements. In addition to these commitments, if the transactions are approved, the Company's long-term debt will increase by $112.0 million, as more fully disclosed in note 19 of the annual financial statements.

The Company also has obligations with respect to its employee benefit plans, as discussed in note 11 of the annual 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 for the year ended December 31, 2013 was 28,685,000 (2012 – 29,759,000). As of this date, there are 24,357,981 Class A Subordinate Voting Shares ("Class A shares") and 3,770,222 Class B Common Shares ("Class B shares") outstanding.

Dividends Declared

In 2013, the Board of Directors declared dividends of $0.15 (2012 – $0.15) per share on each of its Class A shares and Class B shares.

Share Repurchases

In 2013, pursuant to the Normal Course Issuer Bid which expired February 12, 2013, the Company repurchased for cancellation 1,083,890 of its outstanding Class A shares for $9.9 million. In 2012, the Company repurchased 1,161,768 of its outstanding Class A shares for $9.3 million.

SHARE-BASED COMPENSATION PLANS

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 3,176,246. The number of Class A shares underlying outstanding options under the executive stock option plan is 2,470,000, of which 2,402,500 are vested, at prices ranging from $2.43 to $7.46. 706,246 options remain available to grant.

During 2013, no executive stock options were granted. 60,000 options were exercised using the cashless exercise option resulting in 43,724 shares being issued from treasury. In 2012, no options were granted or exercised during the year.

Compensation expense related to the executive stock option plan in the year was $0.1 million (2012 – $1.2 million). Included in the 2012 expense is $1.1 million that was recognized as a result of the extension of the expiry dates by 5 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 April 2014 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.

During 2013, 67,500 rights (2012 – 255,000) were exercised for cash proceeds of $0.2 million (2012 – $0.3 million). No rights were granted in 2013 or in 2012. For the year ended December 31, 2013, the compensation expense related to the rights was less than $0.1 million (2012 – $0.2 million). The obligation related to the rights was $0.2 million, all of which was classified as a current liability (2012 – $0.5 million, of which $0.4 million was current).

For more detailed disclosures about the Company's share-based compensation plans, refer to note 12 of the annual financial statements.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Interest Rate Risk Management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company enters into interest rate swap agreements with Canadian chartered banks. The notional amount of the ongoing swap agreement was $45.0 million (2012 – $55.0 million). One of the Company's swap agreements with a notional amount of $10.0 million expired in June 2013. In 2012, the Company completed a blend and extend of its $45.0 million swap agreement to extend the expiry date of the agreement to May 2017 and to take advantage of lower interest rates. The interest rate on this swap was reduced by approximately 200 basis points. Additional details are provided in note 15(b) of the annual financial statements.

The swap agreement involves 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. A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the fair value of the interest rate swaps by approximately $0.6 million which would have flowed through profit due to the fact that the swap was ineffective for accounting purposes as at December 31, 2013.

The aggregate fair value payable of the swap agreement was $0.5 million (2012 – $1.1 million). The net change in OCI was income of $0.4 million (2012 – $1.1 million).

Share Price Volatility Management

In July 2006, the Company entered into an agreement to hedge its obligations under the stock appreciation rights plan using an equity total return swap agreement to reduce the volatility in cash flow and earnings due to possible future increases in the Company's share price. Gains or losses realized on the quarterly settlement dates are recognized in income in the same period as the stock appreciation rights' compensation expense.

In July 2013, the swap expired and the remaining 228,600 notional SARS were unwound. As a result there is no longer any amounts receivable related to the equity total return swap (2012 – current receivable balance of $0.7 million). Realized before-tax losses recorded in the year were $0.1 million (2012 – before-tax gains of $0.2 million).

Market Risk Management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in 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, 2013, a 10% change in the share prices of each marketable security would result in a $0.3 million after-tax change in profit.

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 totaled $0.9 million as at December 31, 2013. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 87% 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 2013, $0.4 million was written off. 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.

For more detailed disclosure about the Company's financial instruments and financial risk management, refer to note 15 of the annual financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

These are the new accounting standards adopted by the Company in 2013.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Instruments
The Company adopted these amendments on January 1, 2013. The amendments require an entity to disclose information about rights to set-off and related arrangements. The new disclosures are for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments gave rise to additional disclosure in note 15 of the financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 was adopted by the Company on January 1, 2013. It 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 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. There was no impact on the Company's results or disclosures as a result of adopting this standard.

IFRS 11 Joint Arrangements

The Company adopted IFRS 11 on January 1, 2013. 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 rights to, and obligations for, assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. The Company does not currently have any interest in joint arrangements and therefore there were no implications as a result of adopting this

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 was adopted on January 1, 2013 by the Company. 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. There was no impact on the Company resulting from the adoption of this standard.

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. There were no changes to the Company's financial results or disclosures as a result of adopting these amendments on January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 was adopted on January 1, 2013. This standard 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 and specifies certain disclosures. There was no significant impact on the Company's financial results or disclosures as a result of adopting IFRS 13.

Employee Benefits (amendments to IAS 19)

On January 1, 2013 the Company adopted the 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, 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 impact of adopting these amendments has been minimal.

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. An entity must show separate subtotals for those elements that may be reclassified to profit and loss, and those elements that will not. The Company adopted these amendments on January 1, 2013 and it now presents separate sub-totals for its cash flow hedge OCI amounts, which are reclassified to profit and loss, and a separate subtotal for actuarial gains and losses which do not get reclassified through profit and loss. This had a presentation impact only on the Company's Statement of Other Comprehensive Income.

Impairment of Assets (amendments to IAS 36)

The Company early adopted the Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets issued in May 2013. These amendments revise the requirements to disclose the recoverable amount for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives, allocated to that unit, is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendments also revised certain disclosure requirements when the recoverable amount of an asset or CGU is based on fair value less cost of disposal. These did not affect the Company since the recoverable amounts of the Company's CGUs are based on value-in-use under IAS 36.

FUTURE ACCOUNTING STANDARDS

Standards issued but not yet effective up to the date of issuance of the Company's annual 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 9 Financial Instruments

IFRS 9, as issued in 2010, reflects the first phase of the International Accounting Standard Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013. In November 2013, Chapter 6 of IFRS 9 on hedge accounting was published. At the same time, Chapter 7, containing the effective date and transition provisions was amended to remove the mandatory effective date of IFRS 9. This was intended to provide sufficient time for preparers to make the transition to the new requirements. The Company may still choose to apply IFRS immediately, but is not required to do so.

IFRIC 21 Levies

IFRIC 21 addresses the accounting for government levies, including the timing of recognition of levies being when the triggering event occurs. IFRIC 21 applies to years beginning January 1, 2014 with retrospective application required. Earlier adoption is permitted. The impact of this standard is still under review.

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 most significant judgments made in the preparation of the Company's financial statements include judgments related to the determination that broadcast licences have indefinite lives, identifying cash-generating units ("CGUs") based on whether or not there exists interdependency of revenue between radio stations and determining the tax rate for recognition of deferred tax on broadcast licences.

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. 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 7 of the annual 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 net pension obligation 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 and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the net pension obligation is 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. Further details about the assumptions used are given in note 11.

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 12 of the annual 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: Revenue – Barter Transactions Involving advertising services. 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 barter arrangements as there are independent non barter transactions that involve similar airtime amounts, occur frequently and do not involve the same counterparty as in the barter transaction, thereby providing appropriate evidence of fair value of the consideration received or receivable.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2013, there were no off-balance sheet arrangements other than operating leases which are considered in the ordinary course of business.

RELATED PARTY TRANSACTIONS

These annual 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 and all transactions were at fair market value.

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, 2013, 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, 2013, 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, 2013. 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 2013, there were no changes in internal controls over financial reporting that are likely to have, or had, a material effect on the Company's internal controls over financial reporting.

RISKS, 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, 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.

Copyright fees as a whole are currently 8.9% of revenue, subject to certain exemptions for low use and low revenue stations. Tariff rates have remained constant at the levels set in 2010. On March 3, 2014 a Copyright Board of Canada hearing is scheduled to review applications made by the following collectives for tariffs to remain at the 2010 rates: SOCAN (2011-2013), Re:Sound (2012-2014), CSI (2012-2013) and AVLA (2012-2017). A Copyright Board of Canada Decision regarding this hearing is not expected to be released until after 2014. The outcome of this hearing is not determinable at this time.

The Copyright Committee of the CAB continues to dispute the reproduction tariffs, CSI and AVLA, as unfair. Bill C-11, the Copyright Modernization Act, passed in Parliament on June 8, 2012 and received Royal Assent on June 29, 2012. This Act oversees the tariffs levied by CSI and AVLA. In theory an exception for these tariffs exists for broadcasters, but in practice the exception can only be realized if a radio station chooses to delete and reconstitute its entire playlist each 30 days. While Bill C-11 updated several copyright provisions, it left this 30-day destroy exception intact. In the interim, radio broadcasters will continue to pay these two tariffs.

In July 2012, the CRTC announced that it was systematically phasing out the television Local Programming Improvement Fund ("LPIF") between September 2012 and August 31, 2014. This will impact the future financial results of the Company's television stations operated in Lloydminster, Alberta. The Company first began receiving LPIF funds in 2009. Based on historical results, the removal of LPIF funding will gradually reduce annual EBITDA over the next three years, and by 2014 and beyond, the annual EBITDA reduction will be approximately $1.0 million.

As disclosed earlier under the heading "Consolidated Financial Review – Impairment Charge (Recovery)", the Company recorded an impairment charge of $7.5 million as a result of this CRTC announcement in 2012. Management is examining its options to help mitigate this decline in EBITDA.

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,podcasting, and mobile advertising, 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 its audience.

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, on-line services and more recently, advertising via social media. 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 payment 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

2014 will be a transformational year for the Company. The Company entered into its largest acquisition agreement in its history to acquire radio stations in Canada's two largest markets, Toronto and Vancouver. If approved by the CRTC, management's attention will be focused on effectively integrating the operations of these radio stations so that results are accretive immediately.

While the Company focuses on its expansionary activities, the management team will continue to effectively manage the growth of organic operations.

2014 broadcasting revenue thus far is tracking ahead of 2013. The Company's operating strategy is to continue to increase revenue and manage fixed and discretionary costs to deliver strong EBITDA and EBITDA margins and this strategy will be maintained throughout 2014.

The Company employs some of the best, most talented individuals in the industry. Their efforts are what drive continuous results. The Company is committed to being actively involved in the communities where it operates and in maintaining the relationships formed with advertisers and listeners alike.

Non-IFRS Accounting Measure

*[1]**EBITDA** is calculated as revenue less operating expenses (which include direct cost of sales and general and administrative expenses) as reported in the Company's annual consolidated income statements. EBITDA may be calculated and presented by operating segment or for the consolidated results of the Company. The Company believes this is an important measure because the Company's key decision makers use this measure internally to evaluate the performance of management. The Company's key decision makers also believe certain investors use it as a measure of the Company's financial performance and for valuation purposes.*

EBITDA is therefore calculated before (i) non-cash expenses such as depreciation and amortization as well as accretion of other liabilities, (ii) interest expense and (iii) items not indicative of the Company's core operating results, and not used in the evaluation of the operating segments or the consolidated Company's performance such as: impairment charge (recovery) and other income (expense). A calculation of this measure is as follows:

	Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)	**2013**	2012	**2013**	2012
Profit from continuing operations	**$ 7,024**	7,364	**23,695**	10,626
Provision for income taxes	**1,402**	2,778	**1,590**	5,647
Impairment (recovery) charge	**–**	(905)	**–**	6,583
Other (income) expense	**8**	(82)	**1,017**	2,610
Interest expense	**825**	801	**2,545**	3,577
Depreciation and amortization	**1,068**	1,029	**4,208**	4,078
Accretion of other liabilities	**4**	39	**143**	264
EBITDA	**$ 10,331**	11,024	**33,198**	33,385

EBITDA is not defined by IFRS and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises.

Consolidated Financial Statements

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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, 2013, 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, 2013, 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 3, 2014

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, 2013 and 2012 and the consolidated income statements, statements of comprehensive income, changes in shareholders' equity, and cash flows for the years ended December 31, 2013 and 2012, 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, 2013 and 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
March 3, 2014

Newfoundland Capital Corporation Limited

Consolidated Statements of Financial Position

(thousands of Canadian dollars)	Notes		**December 31 2013**	December 31 2012
Assets				
Current assets				
Marketable securities	15(a)	$	**3,595**	4,244
Receivables	15		**27,995**	26,971
Prepaid expenses			**915**	1,281
Other assets	5 & 15(c)		**–**	736
Total current assets			**32,505**	33,232
Non-current assets				
Property and equipment	4		**36,460**	35,251
Other assets	5		**1,622**	2,292
Broadcast licences	7		**154,481**	151,830
Goodwill	7		**7,422**	6,109
Deferred income tax assets	16		**3,115**	3,682
Total non-current assets			**203,100**	199,164
Total assets		$	**235,605**	232,396
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness	9	$	**998**	429
Accounts payable and accrued liabilities	10 & 12		**16,496**	16,174
Dividends payable	13		**2,532**	2,625
Income taxes payable	16		**3,745**	15,008
Total current liabilities			**23,771**	34,236
Non-current liabilities				
Long-term debt	9		**42,642**	47,904
Other liabilities	10 & 15(b)		**10,626**	12,026
Deferred income tax liabilities	16		**24,781**	19,102
Total non-current liabilities			**78,049**	79,032
Total liabilities			**101,820**	113,268
Shareholders' equity			**133,785**	119,128
Total liabilities and shareholders' equity		$	**235,605**	232,396

Commitments and contingencies (note 19)

See accompanying notes to the consolidated financial statements

On behalf of the Board

H.R. Steele **D.I. Matheson**

Newfoundland Capital Corporation Limited

Consolidated Income Statements – For the years ended December 31

(thousands of Canadian dollars, except per share data)	Notes		**2013**	2012
Revenue		$	**132,597**	129,289
Operating expenses			**(99,399)**	(95,904)
Depreciation and amortization	4		**(4,208)**	(4,078)
Accretion of other liabilities	10		**(143)**	(264)
Interest expense	9		**(2,545)**	(3,577)
Other income (expense)	6 & 15(a)		**(1,017)**	(2,610)
Impairment charge	4 & 7		**–**	(6,583)
Profit from continuing operations before provision for income taxes			**25,285**	16,273
Provision for income tax (expense) recovery				
Current			**3,670**	(5,857)
Deferred			**(5,260)**	210
	16		**(1,590)**	(5,647)
Profit from continuing operations			**23,695**	10,626
Profit from discontinued operations	8		**3,323**	258
Profit		$	**27,018**	10,884
Earnings per share from continuing operations	17			
– basic		$	**0.83**	0.36
– diluted			**0.79**	0.34
Earnings per share	17			
– basic		$	**0.94**	0.37
– diluted			**0.90**	0.35

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited

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

(thousands of Canadian dollars)	Notes		2013	2012
Profit		$	**27,018**	10,884
Other comprehensive income:				
Cash flow hedges:				
Net movement on interest rate swaps	15(b)		**557**	1,569
Income tax expense	16		**(151)**	(424)
Amounts that will be reclassified to profit and loss			**406**	1,145
Defined benefit plan actuarial gains (losses)	11		**1,928**	(66)
Income tax (expense) recovery	16		**(597)**	20
Amounts that will not be reclassified to profit and loss			**1,331**	(46)
Other comprehensive income			**1,737**	1,099
Comprehensive income		$	**28,755**	11,983

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited

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

(thousands of Canadian dollars)		Issued share capital (note 13)	Contributed surplus (note 14)	Accumulated other comprehensive income (loss)	Retained earnings (note 13)	Total
Balance at January 1, 2013	$	38,079	2,614	(1,630)	80,065	119,128
Profit		–	–	–	27,018	27,018
Other comprehensive income		–	–	1,737	–	1,737
Total comprehensive income		–	–	1,737	27,018	28,755
Dividends		–	–	–	(4,243)	(4,243)
Repurchase of share capital		(1,584)	–	–	(8,337)	(9,921)
Executive stock option compensation expense		–	66	–	–	66
Balance at December 31, 2013	**$**	**36,495**	**2,680**	**107**	**94,503**	**133,785**

See accompanying notes to the consolidated financial statements

(thousands of Canadian dollars)		Issued share capital (note 13)	Contributed surplus (note 14)	Accumulated other comprehensive loss	Retained earnings (note 13)	Total
Balance at January 1, 2012	$	39,779	1,400	(2,729)	81,216	119,666
Profit		–	–	–	10,884	10,884
Other comprehensive income		–	–	1,099	–	1,099
Total comprehensive income		–	–	1,099	10,884	11,983
Dividends		–	–	–	(4,392)	(4,392)
Repurchase of share capital		(1,700)	–	–	(7,643)	(9,343)
Executive stock option compensation expense		–	1,214	–	–	1,214
Balance at December 31, 2012	**$**	**38,079**	**2,614**	**(1,630)**	**80,065**	**119,128**

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited

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

(thousands of Canadian dollars)	Notes	2013	2012
Operating Activities			
Profit from continuing operations before provision for income taxes		$ **25,285**	16,273
Items not involving cash			
Depreciation, amortization and accretion of other liabilities		**4,351**	4,342
Share-based compensation expense	12	**100**	1,386
Impairment charge	4 & 7	**–**	6,583
Unrealized losses on marketable securities	15(a)	**649**	2,222
Other		**264**	258
		30,649	31,064
Net change in non-cash working capital from continuing operations	18	**2,767**	1,255
Cash generated from continuing operations		**33,416**	32,319
Interest paid		**(2,301)**	(3,420)
Income taxes paid		**(8,208)**	(8,161)
Net cash flow from continuing operations		**22,907**	20,738
Cash flow from discontinued operations		**123**	455
Net cash flow from operating activities		**23,030**	21,193
Financing Activities			
Change in bank indebtedness		**569**	(1,128)
Long-term debt borrowings		**6,000**	14,500
Long-term debt repayments		**(10,500)**	(7,000)
Dividends paid	13	**(4,337)**	(4,492)
Repurchase of capital stock	13	**(9,921)**	(9,343)
Other	13	**(876)**	–
		(19,065)	(7,463)
Investing Activities			
Acquisition of broadcasting assets	6	**(2,040)**	(6,978)
Property and equipment additions	4	**(5,305)**	(4,237)
Proceeds from disposal of broadcasting assets	8	**5,139**	–
Canadian Content Development commitment payments		**(1,719)**	(2,797)
Other		**(40)**	282
		(3,965)	(13,730)
Cash, beginning and end of period		$ **–**	–

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements - December 31, 2013 and 2012

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 consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 3, 2014.

2. BASIS OF PREPARATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC') interpretations issued and effective or issued and early adopted as at the date of these statements. The policies set out below have been consistently applied to all the periods presented.

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 liability is recognized as the net total of the plan assets and the present value of the defined benefit obligation.

Significant accounting estimates and assumptions
Financial statements prepared in conformity with IFRS require 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.

2. BASIS OF PREPARATION (continued)

Significant accounting estimates and assumptions (continued)
The most significant judgments made in the preparation of the Company's financial statements include judgments related to the determination that broadcast licences have indefinite lives, identifying cash-generating units ("CGUs") based on whether or not there exists interdependency of revenue between radio stations and determining the tax rate for recognition of deferred tax on broadcast licences.

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 CGUs, including a sensitivity analysis, are further explained in note 7.

Employee Future Benefit Plans
The cost of defined benefit pension plans and the present value of the net pension obligation 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 and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the net pension obligation is 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. Further details about the assumptions used are given in note 11.

Share-based compensation
The Company's share-based compensation plans (Stock Appreciation Rights Plan ("SARS") and Executive Stock Option Plan) 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 12.

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: Revenue – Barter Transactions Involving advertising services. 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 barter arrangements as there are independent non barter transactions that involve similar airtime amounts, occur frequently and do not involve the same counterparty as in the barter transaction, thereby providing appropriate evidence of fair value of the consideration received or receivable.

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, 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 and launch of new broadcast licences are also capitalized as broadcast licences. CCD that arises from a business acquisition is considered a transaction cost and is expensed in the income statement.

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 without significant cost, 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 their useful 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 "CGUs"). 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 CGUs 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 CGUs carrying amount exceeds its recoverable amount. To determine the recoverable amount, management considers the higher of fair value less costs to sell ("FVLCS") and value-in-use ("VIU"). For VIU, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment testing of goodwill, other intangible assets and property and equipment (continued)
Impairment losses for CGUs first reduce the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other long-lived assets in the CGU. However, an individual asset is not impaired below its recoverable amount if determinable. 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 CGUs recoverable amount exceeds its carrying amount.

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. 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 (expense).

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 (expense) in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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:

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

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 set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income taxes (continued)
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 recognized during the measurement period and reflects facts and circumstances in place at the acquisition date 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.

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.

Other income (expense) generally 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
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

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 15(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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. 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. Actuarial gains and losses are not reclassified to the statement of income in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Defined benefit pension plans* (continued)**

Past service costs are recognised in profit or loss on the earlier of: (i) the date of the plan amendment or curtailment, and (ii) the date that the Company recognizes restructuring-related costs.

The discount rate is applied to the net defined benefit asset or liability to determine net interest expense or income. The Company recognizes the following changes in the net defined benefit obligation under operating expenses in the consolidated statements of income: (i) service costs comprising current service costs, past service costs, gains and losses on curtailments and settlements, and (ii) net interest expense or income.

The value of any defined benefit asset recognized is restricted to 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards

These are the new accounting standards adopted by the Company in 2013.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Instruments
The Company adopted these amendments on January 1, 2013. The amendments require an entity to disclose information about rights to set-off and related arrangements. The new disclosures are for all recognized financial instruments that are set off in accordance with International Accounting Standard ("IAS") 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments gave rise to additional disclosure in note 15 of the financial statements.

IFRS 10 Consolidated Financial Statements
IFRS 10 was adopted by the Company on January 1, 2013. It 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 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. There was no impact on the Company's results or disclosures as a result of adopting this standard.

IFRS 11 Joint Arrangements
The Company adopted IFRS 11 on January 1, 2013. 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 rights to, and obligations for, assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. The Company does not currently have any interest in joint arrangements and therefore there were no implications as a result of adopting this new standard.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 was adopted on January 1, 2013 by the Company. 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. There was no impact on the Company resulting from the adoption of this standard.

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. There were no changes to the Company's financial results or disclosures as a result of adopting these amendments on January 1, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards (continued)

IFRS 13 Fair Value Measurement

IFRS 13 was adopted on January 1, 2013. This standard 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 and specifies certain disclosures. There was no significant impact on the Company's financial results or disclosures as a result of adopting IFRS 13.

Employee Benefits (amendments to IAS 19)

On January 1, 2013 the Company adopted the 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, 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 impact of adopting these amendments has been minimal.

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. An entity must show separate subtotals for those elements that may be reclassified to profit and loss, and those elements that will not. The Company adopted these amendments on January 1, 2013 and it now presents separate sub-totals for its cash flow hedge OCI amounts, which are reclassified to profit and loss, and a separate subtotal for actuarial gains and losses which do not get reclassified through profit and loss. This had a presentation impact only on the Company's Statement of Other Comprehensive Income.

Impairment of Assets (amendments to IAS 36)

The Company early adopted the Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets issued in May 2013. These amendments revise the requirements to disclose the recoverable amount for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives, allocated to that unit, is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. The amendments also revised certain disclosure requirements when the recoverable amount of an asset or CGU is based on fair value less cost of disposal. These did not affect the Company since the recoverable amounts of the Company's CGUs are based on value-in-use under IAS 36.

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 9 Financial Instruments

IFRS 9, as issued in 2010, reflects the first phase of the International Accounting Standard Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013. In November 2013, Chapter 6 of IFRS 9 on hedge accounting was published. At the same time, Chapter 7, containing the effective date and transition provisions was amended to remove the mandatory effective date of IFRS 9. This was intended to provide sufficient time for preparers to make the transition to the new requirements. The Company may still choose to apply IFRS immediately, but is not required to do so.

IFRIC 21 Levies

IFRIC 21 addresses the accounting for government levies, including the timing of recognition of levies being when the triggering event occurs. IFRIC 21 applies to years beginning January 1, 2014 with retrospective application required. Earlier adoption is permitted. The impact of this standard is still under review.

4. PROPERTY AND EQUIPMENT

Impairment allowance - 2012

In 2012, as a result of a CRTC announcement regarding the systematic phase out of the television Local Programming Improvement Fund, more fully described in note 7, the Company assessed whether there existed impairment on some of its property and equipment related to its one television CGU located in Lloydminster, Alberta. The carrying value of certain tower-related equipment was compared to the recoverable amount, and the carrying value exceeded the recoverable amount by approximately $500,000. The Company therefore recognized an impairment charge of $500,000 on the impairment recovery (charge) line on the income statement. In 2013, there was no further impairment.

The recoverable amount of the Lloydminster property and equipment was determined based on a fair value less cost to sell ("FVLCS") calculation. The determination of FVLCS was based on what the assets would likely sell for less any costs associated to dispose of them. The assumptions were based on past experience and also on external sources of information such as property assessment values.

The table on the next page reconciles the activity in cost and accumulated depreciation of property and. equipment.

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, 2012	$ 2,301	3,460	4,429	16,648	23,475	5,010	5,578	7,814	980	**69,695**
Additions	–	173	190	603	2,071	454	388	347	11	**4,237**
Additions through business acquisitions *(note 6)*	–	–	–	188	639	20	56	209	28	**1,140**
Impairment allowance	–	–	–	–	(500)	–	–	–	–	**(500)**
Disposals	–	–	–	–	(1,225)	–	–	–	(148)	**(1,373)**
Balance at December 31, 2012	2,301	3,633	4,619	17,439	24,460	5,484	6,022	8,370	871	**73,199**
Additions		27	184	2,035	2,381	475	301	243	169	**5,815**
Additions though business acquisitions *(note 6)*	–	–	–	152	283	43	41	226	21	**766**
Disposals	(29)	–	–	(1,926)	(273)	(57)	(31)	(196)	(98)	**(2,610)**
Disposals - discontinued operations *(note 8)*	–	–	–	(245)	(251)	(60)	(39)	(562)	(2)	**(1,159)**
At December 31, 2013	**2,272**	**3,660**	**4,803**	**17,455**	**26,600**	**5,885**	**6,294**	**8,081**	**961**	**76,011**
Accumulated Depreciation										
Balance at January 1, 2012	–	(382)	(1,872)	(11,007)	(9,853)	(3,974)	(3,925)	(3,122)	(545)	**(34,680)**
Depreciation for the year	–	(44)	(182)	(1,196)	(1,202)	(490)	(349)	(582)	(121)	**(4,166)**
Disposals	–	–	–	–	761	–	–	–	137	**898**
Balance at December 31, 2012	–	(426)	(2,054)	(12,203)	(10,294)	(4,464)	(4,274)	(3,704)	(529)	**(37,948)**
Depreciation for the year	–	(46)	(194)	(1,190)	(1,255)	(491)	(365)	(624)	(119)	**(4,284)**
Disposals	–	–	–	1,727	135	57	27	159	86	**2,191**
Disposals - discontinued operations *(note 8)*	–	–	–	119	71	47	23	228	2	**490**
At December 31, 2013	–	**(472)**	**(2,248)**	**(11,547)**	**(11,343)**	**(4,851)**	**(4,589)**	**(3,941)**	**(560)**	**(39,551)**
Net Book Value										
At December 31, 2012	2,301	3,207	2,565	5,236	14,166	1,020	1,748	4,666	342	**35,251**
At December 31, 2013	**2,272**	**3,188**	**2,555**	**5,908**	**15,257**	**1,034**	**1,705**	**4,140**	**401**	**36,460**

5. OTHER ASSETS

(thousands of Canadian dollars)		2013	2012
Other assets - current			
Equity total return swap receivable (note 15(c))	$	–	736
Other assets – non-current			
Investment in and advances to associate, net of cumulative profit of $nil (2012 – $33) and net of impairment allowance of $nil (2012 – $275)	$	–	2,026
Accrued pension benefit asset (note 11)		1,325	–
Other		297	266
		1,622	2,299

Investment in and advances to associate
As described in note 6, in 2013 the Company acquired the remaining 70.1% interest in a company operating a radio station in Sydney, Nova Scotia and therefore the carrying value of the investment and advances to associate are nil this year. In 2012 the value consisted of the original investment amount of $1,000,000 with the remaining balance consisting of advances, net of the Company's share of the cumulative net profits and losses and impairment charges.

6. ACQUISITION OF BROADCASTING ASSETS

Business Acquisition - 2013
On January 2, 2013, the Company acquired 70.1% of the shares of 3221809 Nova Scotia Limited which operates the CKCH-FM radio station in Sydney, Nova Scotia. The Company previously held 29.9% of the shares and as a result, this was a business combination achieved in stages whereby the Company was required to measure the acquisition-date fair value of the 29.9% equity interest the day immediately preceding the transaction. The fair value was determined to be $600,000 which closely approximated the carrying value of the investment and therefore no gains or losses were recorded as a result.

Total consideration was $4,425,000 and this was made up of the fair value of the initial 29.9% investment of $600,000, the settlement of an existing note having a fair value of $1,425,000 payable by the acquiree to the Company and cash paid of $2,400,000. The major net assets acquired included the FM broadcast licence, property and equipment and a small amount of working capital. Trade accounts receivable having a gross contractual amount receivable of $246,000 were included in working capital. The contractual cash flows not expected to be collected were estimated to be $34,000 and this was factored in to the determination of fair value. The purchase price allocation, as set out in the table below, has been finalized.

The Company already operates an FM radio station in Sydney, and complementing it with this FM station was the reason for the acquisition. This will allow the Company to increase its revenue base and benefit from cost synergies which is why goodwill in the amount of $1,313,000 arose on this transaction. Goodwill is not deductible for tax purposes. The purchase was financed by the Company's credit facility.

6. ACQUISITION OF BROADCASTING ASSETS (continued)

Business Acquisition - 2013 (continued)

The purchase price was allocated to the net assets acquired on the basis of the estimated fair values on the acquisition date using the acquisition method of accounting. The following table sets out the net assets acquired and their estimated acquisition date fair values:

(thousands of Canadian dollars)	CKCH-FM
Working capital	$ 198
Deferred tax asset	215
Property and equipment	766
Broadcast licences	2,387
Goodwill	1,313
Total assets acquired	4,879
Deferred tax liabilities on property and equipment and broadcast licences	$ (454)
Net assets acquired	$ 4,425

In order for the acquisition to have been approved by the Canadian Radio-television and Telecommunications Commission ("CRTC"), the Company had to commit to additional Canadian Content Development ("CCD") payments of $222,000, payable in equal instalments over seven years. This financial liability was recognized on the statement of financial position as other liabilities and its fair value was determined based on discounting cash flows using the effective interest method ("EIM"). Under EIM, accretion expense is calculated and recorded using the effective interest rate (3.9%) that exactly discounts estimated future cash payments throughout the seven year life of the CCD commitment to the fair value at initial recognition. The amount of CCD expensed in Other income (expense) in the income statement was $191,000.

Earnings of this acquisition have been included in profit as of the date of acquisition on January 2, 2013. Revenue recognized to-date in the income statement related to the acquisition was $789,000 and the net loss was $30,000, which includes the $191,000 CCD expensed on the acquisition date.

Business Acquisitions – 2012

On February 26, 2012 the Company acquired from Great Valleys Radio Ltd. broadcasting assets related to CIGV-FM in Penticton, British Columbia for cash consideration of $2,002,000. The assets acquired included the FM broadcast licence, property and equipment and a small amount of working capital. The accounting calculation related to the allocation of the purchase price resulted in the recognition of a transaction gain of $311,000 which was recognized in the period as other income (expense). The purchase price allocation, as set out in the table below, has been finalized.

On the same date, the Company acquired from Sun Country Radio Ltd. the broadcasting assets, and assumed certain liabilities, related to CKKO-FM in Kelowna, British Columbia for $4,976,000, subject to minor working capital adjustments. The assets acquired included the FM broadcast licence, property and equipment and certain other working capital items while the liabilities assumed related to the remaining Canadian Content Development commitments ("CCD") attached to the licence. Included in working capital are trade accounts receivable having a gross contractual amount receivable of $240,000. The contractual cash flows not expected to be collected was estimated to be $36,000 and this has been factored in the determination of fair value. The purchase price allocation, as set out in the table below, has been finalized.

6. ACQUISITION OF BROADCASTING ASSETS (continued)

Business Acquisition - 2012 (continued)

The primary reason for these acquisitions is that the Company seeks growth and these two FM stations provided the opportunity to expand operations into British Columbia. The purchases were financed by the Company's credit facility.

The purchase price was allocated to the net assets acquired on the basis of the estimated fair values on the acquisition date using the acquisition method of accounting. The following table sets out the net assets acquired and their estimated acquisition date fair values:

(thousands of Canadian dollars)		CIGV-FM Penticton	CKK0-FM Kelowna	Total
Working capital	$	2	110	112
Property and equipment		300	840	1,140
Broadcast licences		2,059	4,142	6,201
Total assets acquired		2,361	5,092	7,453
Deferred tax liabilities		(48)	–	(48)
CCD commitments assumed		–	(116)	(116)
Net assets acquired	$	2,313	4,976	7,289
Transaction gain		(311)	–	(311)
Cash consideration	**$**	**2,002**	**4,976**	**6,978**

7. GOODWILL, BROADCASTING 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 fiscal years ended December 31, 2013 and December 31, 2012. 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 CGUs is discussed below with respect to the most recently completed impairment calculation as of the fiscal years ended December 31, 2013 and December 31, 2012.

7. GOODWILL, BROADCASTING LICENCES AND OTHER INTANGIBLE ASSETS (continued)

(thousands of Canadian dollars)		Goodwill	Broadcast Licences
Cost			
Balance, January 1, 2012	$	7,045	153,814
Additions, business acquisitions *(note 6)*		–	6,201
Balance, December 31, 2012		7,045	160,015
Additions		–	722
Additions, business acquisitions *(note 6)*		1,313	2,387
Disposals, discontinued operations *(note 8)*		–	(458)
Balance, December 31, 2013	$	**8,358**	**162,666**
Accumulated impairment			
Balance, January 1, 2012	$	(936)	(2,102)
Reversal of impairment		–	905
Impairment charge		–	(6,988)
Balance, December 31, 2012		(936)	(8,185)
Reversal of impairment		–	–
Impairment charge		–	–
Balance, December 31, 2013	$	**(936)**	**(8,185)**
Net book value			
At December 31, 2012	$	6,109	151,830
At December 31, 2013	$	**7,422**	**154,481**

Additions

The 2013 additions to broadcast licences consisted of the CCD commitments arising from launching the new FM stations in Fredericton and Miramichi, New Brunswick. In 2013, the Company acquired a broadcast licence in Sydney, Nova Scotia and in 2012 two new licences in Kelowna and Penticton, British Columbia were acquired. Goodwill arose on the 2013 Sydney acquisition. The details of these acquisitions are fully described in note 6.

Disposals

The disposal of $458,000 represented the carrying value of the Fort McMurray licence sold in December 2013. Additional details on this disposal are included in note 8. There were no disposals in 2012.

7. GOODWILL, BROADCASTING LICENCES AND OTHER INTANGIBLE ASSETS (continued)

Annual impairment assessments

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 nineteen CGUs, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals are included as a separate line on the income statement. As of December 31, 2013 there was no broadcast licence impairment and no reversal of prior year impairment.

Goodwill is allocated to those CGUs 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, 2013 and December 31, 2012, there was no goodwill impairment.

Reversal of impairment charges in 2012

For the year ended December 31, 2012, the Company reversed $905,000 of previously recognized impairment losses in one of its Alberta CGUs because the financial performance and forecasted performance of the CGU was strong in light of more favourable economic conditions in that Province. In addition, the discount rates used to determine value-in-use were lower in 2012, mostly due to lower cost of debt, which increased the value of discounted cash flows.

Impairment charge in 2012

In July 2012, the CRTC announced it was systematically phasing out the television Local Programming Improvement Fund between September 2012 and August 31, 2014. This decision has impacted the financial results of the television cash-generating unit ("CGU") in Lloydminster, Alberta by permanently reducing annual profit before provision for income taxes. As a result, management performed a detailed impairment analysis of this CGU, which comprises the net assets, including the broadcast licences, related to two local television stations. The recoverable amounts of the broadcast licences, calculated using the value-in-use method, were lower than the carrying values, resulting in impairment charges. The full value of the television broadcast licences, aggregating $6,988,000, was written off as an impairment charge in the income statement. The property and equipment in the CGU was also impaired, however the property and equipment was not written down below its recoverable amount based on FVLCS (see note 4).

The recoverable amount of the Lloydminster television CGU was determined based on a value-in-use calculation using cash flow projections 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 the cash flow projections, which was derived from the Company's weighted average cost of capital, was 9.8%.

Recoverable amounts

The recoverable amounts of the CGUs 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 derived from the Company's weighted average cost of capital, ranged from 9.2% to 9.9% as at October 31, 2013 and from 8.6% to 10.0% as at October 31, 2012. Cash flow projections are extended beyond the five year budget period because broadcast licences and goodwill are indefinite life assets.

7. GOODWILL, BROADCASTING LICENCES AND OTHER INTANGIBLE ASSETS (continued)

Key assumptions used in value-in-use calculations
The calculations of value-in-use for the CGUs 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 CGUs 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 market 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 CGUs 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.

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. However, as at December 31, 2013, management does not believe any reasonably modest change in the discount rate would cause the carrying amount to exceed the recoverable amount for its CGUs.

8. DISCONTINUED OPERATIONS

In December 2013, the Company disposed of its net assets associated with CHFT-FM in Fort McMurray, Alberta for proceeds of $5,000,000, plus an amount for certain working capital items. The financial results from this cash-generating unit ("CGU") and the gain on disposal have been treated as discontinued operations in the income statement and statement of cash flows for for both 2013 and 2012. The results from this CGU were also excluded from the Broadcasting segment results in segmented information presented in note 20.

As a result of this disposal, the Company decreased broadcast licences by $458,000, property and equipment by $669,000, working capital by $158,000 and recorded a gain of $3,776,000.

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

(thousands of Canadian dollars)		2013	2012
Revenue	$	**1,338**	1,659
Operating expenses		**(1,087)**	(1,204)
Depreciation		**(79)**	(90)
Accretion of other liabilities		**(9)**	(12)
Gain on disposal of discontinued operations		**3,776**	–
Profit from discontinued operations before provision for taxes		**3,939**	353
Provision for income taxes:			
Current income tax recovery		**(619)**	(98)
Deferred income tax expense		**3**	3
		(616)	(95)
Profit from discontinued operations	$	**3,323**	258
Earnings per share, from discontinued operations			
Basic	$	**0.12**	0.01
Diluted		**0.11**	0.01

9. BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of Canadian dollars)		2013	2012
Revolving term credit facility of $90 million, renewable bi-annually, maturing June 2015	$	**43,500**	48,000
Less: Debt transaction costs, net of accumulated amortization of $115 (2012 – $193)		**(858)**	(96)
	$	**42,642**	47,904

In conjunction with entering into a purchase agreement to acquire five radio stations in Toronto and Vancouver, more fully described in note 19, the Company secured an additional $90 million non-revolving credit facility which will be drawn when the purchase agreement closes and will be amortized over eight years. The Company's existing facility and the new facility will expire three years from the date of closing.

9. BANK INDEBTEDNESS AND LONG-TERM DEBT (continued)

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 15(b)) which fix the floating bankers' acceptance rates. In 2012, the Company extended the terms of an interest rate swap agreement which reduced the effective rate on long-term debt. As a result, interest on long-term debt in 2013 was $2,377,000 which was lower than last year (2012 – $3,323,000).

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.

10. OTHER LIABILITIES

(thousands of Canadian dollars)		2013	2012
CCD commitments, net of current portion of $728 (2012 - $1,567) included in accounts payable and accrued liabilities	$	**1,257**	1,110
Accrued pension benefit liability (*note 11*)		**7,641**	8,447
Deferred tenant inducements		**1,261**	1,468
Interest rate swap payable, net of current portion of $32 included in accounts payable and accrued liabilities (2012 – $168) and net of cumulative credit risk adjustment of $1 (2012 – $12) (*note 15(b)*)		**467**	905
Stock appreciation rights payable, net of current portion of $239 included in accounts payable and accrued liabilities (2012 – $358) (*note 12*)		**–**	96
	$	**10,626**	12,026

CCD commitments are measured based on the amortized cost using EIM which gives rise to accretion expense which amounted to $143,000 (2012 – $264,000). EIM rates used to determine the value of CCD commitments range from 3.9% to 8.3%. The discounted CCD commitments are due as follows: 2014 – $728,000; 2015 – $410,000; 2016 – $233,000; 2017 – $194,000; 2018 – $176,000 and thereafter $244,000. The undiscounted amount payable for CCD commitments is $2,160,000 of which $779,000 is current (2012 – $2,873,000 of which $1,670,000 was current). Additional CCD commitments will be recognized in 2014 fully described in note 19.

The Company has a letter of credit totaling $750,000 in support of a portion of the pension benefit liability.

11. 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 totaled $1,628,000 (2012 – $1,584,000).

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, 2012.

In addition, the Company has two individual Supplementary Retirement Pension Arrangements ("SRPAs") that each pay a pension to a retired executive. These SRPAs provide benefits over and above what 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 in the consolidated financial statements:

(thousands of Canadian dollars)		**2013**	2012
Statement of financial position:			
Accrued pension benefit liability, included in other liabilities *(note10)*	**$**	**(7,641)**	(8,447)
Accrued pension benefit asset *(note 5)*		**1,325**	–
Net accrued pension liability	**$**	**(6,316)**	(8,447)
Income statement:			
Pension benefit expense, included in operating expenses	**$**	**432**	459
Other comprehensive losses and accumulated other comprehensive income:			
Actuarial (gains) losses recognized in the statement of other comprehensive income	**$**	**(1,928)**	66
Cumulative actuarial losses recognized in the statement of other comprehensive income	**$**	**209**	2,137

11. EMPLOYEE BENEFIT PLANS (continued)

Defined benefit pension plans (continued)

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

		2013		2012	
(thousands of Canadian dollars)		**Basic Plan**	**SRPA**	Basic Plan	SRPA
Accrued benefit obligations					
Balance, beginning of year	$	**5,798**	**8,122**	5,396	8,256
Current service cost		**118**	**–**	105	–
Interest cost		**204**	**263**	222	313
Benefits paid		**(182)**	**(524)**	(181)	(522)
Actuarial (gains) losses:					
Impact of changes in demographic assumptions		**42**	**387**	25	(77)
Impact of changes in financial assumptions		**(736)**	**(558)**	296	158
Impact of changes in experience adjustments		**(33)**	**(49)**	(65)	(6)
Balance, end of year		**5,211**	**7,641**	5,798	8,122
Plan assets					
Fair value, beginning of year		**5,473**	**–**	5,086	–
Interest income		**190**	**–**	204	–
Actuarial gains:					
Return on plan assets, excluding interest income		**981**	**–**	387	–
Administrative expenses		**(40)**		(26)	–
Employer contributions		**111**	**–**	–	–
Employee contributions		**3**	**–**	3	–
Benefits paid		**(182)**	**–**	(181)	–
Fair value, end of year		**6,536**	**–**	5,473	–
Net accrued pension benefit asset (liability)	$	**1,325**	**(7,641)**	(325)	(8,122)

The Company determined that there was no limit on the defined benefit asset (asset ceiling) because the Company has unimpaired rights to the surplus in the Basic Plan and it has the right to take contribution holidays when available. The actual return on plan assets was a gain of $1,374,000 (2012 – gain of $627,000).

Employer contributions to the plans are estimated to be $619,000 in 2014.

11. EMPLOYEE BENEFIT PLANS (continued)

Defined benefit pension plans (continued)

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

		2013		2012	
(thousands of Canadian dollars)		**Basic Plan**	**SRPA**	Basic Plan	SRPA
Current service cost, net of employee contributions	$	**115**	**–**	102	–
Interest cost		**204**	**263**	222	313
Interest income on plan assets		**(190)**	**–**	(204)	–
Administrative expenses		**40**	**–**	26	–
Defined benefit plan expense	$	**169**	**263**	146	313

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

		2013			2012		
(thousands of Canadian dollars)		**Basic Plan**	**SRPA**	**Total**	Basic Plan	SRPA	Total
Cumulative actuarial losses, beginning of year	$	**1,473**	**664**	**2,137**	1,482	589	2,071
Recognized actuarial (gains) losses during the year		**(1,708)**	**(220)**	**(1,928)**	(9)	75	66
Cumulative actuarial (gains) losses, end of year	$	**(235)**	**444**	**209**	1,473	664	2,137

The principal actuarial assumptions were as follows:

	2013		2012	
	Basic Plan	**SRPA**	Basic Plan	SRPA
Discount rate for the accrued benefit obligation	**4.5%**	**4.5%**	3.5%	3.5%
Expected long-term rate of return on plan assets	**4.5%**	**N/A**	3.5%	N/A
Future pension increases	**2.0%**	**0.5%**	2.0%	0.5%
Future compensation increases for the accrued benefit obligation	**3.5%**	**3.5%**	3.5%	3.5%

As a result of adopting the IAS 19 amendments, the expected long-term rate of return on plan assets must equal the discount rate used for the accrued benefit obligation and this is reflected in the table above. The mortality assumption has changed as well which has increased life expectancy.

11. EMPLOYEE BENEFIT PLANS (continued)

Defined benefit pension plans (continued)

Plan assets for the Basic Plan consist of:

	2013	2012
Equity funds	**67%**	68%
Fixed income funds	**27%**	27%
Money market funds	**6%**	5%
	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.

Since the benefit obligation is adjusted to consumer price index, the pension plan is exposed to inflation; it is also exposed to interest rate risks and changes in life expectancy of pensioners. A large portion of the plan assets consist of equity shares which are exposed to equity market risk.

A quantitative sensitivity analysis of the significant assumptions for the benefit obligations as at December 31, 2013 is presented below:

		Discount rate		**Future salary increase**		**Future pension cost**	
Sensitivity level		**0.5% increase**	**0.5% decrease**	**0.5% increase**	**0.5% decrease**	**1.0% increase**	**1.0% decrease**
(thousands of dollars)							
Impact on net defined benefit obligation	$	**(621)**	**682**	**8**	**(8)**	**798**	**(444)**

		Life expectancy	
Sensitivity level		**Increase by 1 year**	**Decrease by 1 year**
(thousands of dollars)			
Impact on net defined benefit obligation	**$**	**636**	**(664)**

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The average duration of the defined benefit plan obligation at the end of the reporting period is 10.3 years.

12. 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 $563,000 (2012 – $535,000) 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, 2013, 102,500 rights remained outstanding (2012 – 170,000). The SARS' expiry dates range from April 2014 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, 67,500 SARS (2012 – 255,000) were exercised for cash proceeds of $249,000 (2012 – $340,000). Compensation expense related to SARS for the year was $33,000 (2012 – $172,000). The total obligation for SARS compensation was $239,000, all of which was current and classified as accounts payable and accrued liabilities (2012 – compensation payable was $454,000, of which $358,000 was current). The intrinsic value obligation for SARS, for those SARS that were fully vested at December 31, 2013 was $245,000 (2012 – $465,000).

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

	As at December 31, 2013	As at December 31, 2012
Risk-free interest rate	**1.13%**	1.38%
Dividend yield	**1.71%**	1.67%
Volatility factors of the expected market price of the Company's Class A shares	**27.5%**	24.1%
Expected life of the SARS	**5 years**	5 years
Fair value per SAR	**$2.33**	$2.67

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.

12. SHARE-BASED COMPENSATION PLANS (continued)

Executive Stock Option Plan

At year end, the number of Class A shares reserved for issuance pursuant to the executive stock option plan was 3,176,246. The number of Class A shares underlying outstanding options under the executive stock option plan was 2,470,000. 706,246 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 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 March 2015 to December 2019. Options either vest on the date they are granted or vest over time in the following manner: twenty-five percent vest on the date of granting and twenty-five percent vest on each of the three succeeding anniversary dates. 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 4.29 years (2012 – 5.18 years). In 2012, the Toronto Stock Exchange, shareholders and the Board of Directors approved to extend the expiry dates of 2,140,000 stock options by 5 years which extended the weighted average contractual life of the executive options.

	2013		2012	
	Number	**Price***	Number	Price*
Balance, beginning of year	**2,530,000**	**$4.31**	2,530,000	$4.31
Granted	**–**	**–**	–	–
Exercised	**(60,000)**	**$2.55**	–	–
Balance, end of year	**2,470,000**	**$4.36**	2,530,000	$4.31
Total options vested	**2,402,500**	**$4.27**	2,380,000	$4.13

** weighted average exercise price*

Range of Exercise Price	Number of Options Outstanding at December 31, 2013	Weighted Average Remaining Life	Weighted Average Exercise Price	Number of Options Exercisable at December 31, 2013	Weighted Average Exercise Price
$ 2.43 – 3.89	1,560,000	4.56	$ 2.94	1,560,000	$ 2.94
5.83 – 7.46	910,000	3.82	6.78	842,500	6.74
	2,470,000	4.29	4.36	2,402,500	4.27

12. SHARE-BASED COMPENSATION PLANS (continued)

Executive Stock Option Plan(continued)

The compensation expense related to stock options was $67,000 (2012 – $1,214,000) and was recorded in operating expenses. Included in the 2012 expense is $1,071,000 that was recognized as a result of the extension of the expiry dates by 5 years.

The fair value measurement of the expense related to the extension of expiry dates of options in 2012 was estimated using the Black-Scholes Option Pricing Model with the assumptions in the table below. No options were granted or amended in 2013.

	2012
Weighted average risk-free interest rate	1.58%
Dividend yield	2.27%
Weighted average volatility factors of the expected market price of the Company's Class A shares	25.1%
Weighted average expected life of the options	5 years
Weighted average fair value per option	$0.53

The assumptions presented in the above table were 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.

13. SHARE CAPITAL

	Issued shares	
	(thousands of shares)	*(thousands of Canadian dollars)*
Balance, January 1, 2012	30,330	**$ 39,779**
Share repurchase	(1,162)	**(1,700)**
Balance, December 31, 2012	29,168	**38,079**
Share repurchase	(1,084)	**(1,584)**
Exercise of executive stock options	44	**–**
Balance, December 31, 2013	**28,128**	**$ 36,495**

13. SHARE CAPITAL (continued)

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

	Issued shares		2013	2012
	(thousands of shares)		*(thousands of Canadian dollars)*	
Class A Subordinate Voting Shares (2012 – 25,396)	24,358	$	**35,600**	37,171
Class B Common Shares (2012 – 3,772)	3,770		**895**	908
	28,128	$	**36,495**	38,079

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 15.

Share repurchases

In 2013, pursuant to the Normal Course Issuer Bid which expires May 20, 2014, the Company repurchased for cancellation 1,083,890 (2012 – 1,161,768) of its outstanding Class A shares for $9,921,000 (2012 – $9,343,000). As a result of these share repurchases, capital stock was reduced by $1,584,000 (2012 – $1,700,000) and retained earnings by $8,337,000 (2012 – $7,643,000).

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 12, no options were granted in 2013. During 2013, 60,000 options were exercised using the cashless exercise option resulting in 43,724 shares being issued from treasury. In 2012, no options were granted or exercised during the year.

Dividends

During 2013, the Company declared total dividends of $0.15 (2012 – $0.15) per Class A and Class B shares. Dividends paid in 2013 totaled $4,337,000 (2012 – $4,492,000). Dividends totaling $2,532,000 were payable at year end (2012 – $2,625,000).

14. CONTRIBUTED SURPLUS

(thousands of Canadian dollars)		Twelve months ended December 31 **2013**	2012
Balance, January 1	$	**2,614**	1,400
Executive stock option plan compensation expense *(note 12)*		**66**	1,214
Balance, December 31	$	**2,680**	2,614

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

(thousands of Canadian dollars)			**Level 1**	**Level 2**	**Level 3**
Description		**Total**	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss:					
Cash and bank indebtedness	$	**(998)**	(998)	–	–
Marketable securities		**3,595**	3,595	–	–
Loans and receivables, with fair values disclosed:					
Accounts receivable		**27,995**	–	27,995	–
Items accounted for as hedges:					
Interest rate swap payable		**(499)**	–	(499)	–
Other liabilities at amortized cost with fair values disclosed					
Accounts payable and accrued liabilities, excluding the current portion of CCD commitments and current portion of the interest rate swap		**(15,736)**	–	(15,736)	–
Long-term debt		**(43,500)**	–	(43,500)	–

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

Offsetting financial assets and liabilities
The Company sets off its positive cash balances with bank indebtedness in accordance with its mirror-netting agreement with a Canadian Chartered Bank. Positive cash balances at December 31, 2013 were equal to $1,742,000 while negative cash balances were $2,740,000 which net to $998,000. The Company does not set off any other financial instruments.

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.

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 $28,000,000 as at December 31, 2013, which included accounts 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 $850,000 as at December 31, 2013. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 87% 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 approximated $425,000. 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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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, 2013, a 10% change in the share prices of each marketable security would result in a $300,000 change in profit.

For the year ended December 31, 2013, the mark-to-market change in fair value of marketable securities, recorded in other income (expense), was an unrealized loss of $649,000 (2012 – $2,222,000). In the prior year, the Company disposed of certain investments triggering realized losses of $71,000; no investments were disposed of in 2013.

b) Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company enters into interest rate swap agreements with Canadian Chartered Banks. One swap having a notional value of $10,000,000 expired in June 2013. The other swap has a notional amount of $45,000,000 and expires in May 2017. The swap agreement involves 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 swap at inception and on a regular basis.

In 2012, the Company amended the terms of its $45,000,000 swap agreement to extend the expiry date and to take advantage of lower interest rates. The interest rate on this swap was reduced by approximately 200 basis points. The aggregate fair value payable of the swap agreement at the time of extension was $1,375,000 and this was blended into the new fixed rate of interest of the swap. This amount was being transferred from OCI to interest expense over the term of the original agreement which ended in May 2013.

As at December 31, 2013, the $45,000,000 swap was ineffective for accounting purposes. As a result the change in fair value of the swap, from the time the swap was deemed ineffective in May 2012, was transferred from OCI to profit. This amounted to $517,000 in the year (2012 – $358,000).

At year end, the aggregate fair value payable of the swap agreement was $499,000 (2012 – $1,086,000), of which $32,000 (2012 – $168,000) was classified as a current liability. The before-tax change in fair value of the swaps included in OCI was a gain of $586,000 (2012 – $1,354,000). The before-tax interest recovery transferred from OCI to profit was $29,000 (2012 – interest expense of $215,000). The before-tax net interest recovery of $29,000 that was transferred to profit consisted primarily of $573,000 of expense arising from the blend and extend fair value balance noted above, offset by interest recoveries of $517,000 related to hedge ineffectiveness and $67,000 related to the de-designated portion of the hedge. In 2012, the before-tax $215,000 interest expense transferred from OCI to profit consisted of $802,000 of expense arising from the blend and extend fair value balance, offset by interest recoveries of $358,000 related to hedge ineffectiveness and $145,000 related to the de-designated portion of the hedge

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

b) Interest rate risk management (continued)

A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the fair value of the interest rate swaps by approximately $560,000 which would have flowed through profit since the swap was ineffective for accounting purposes as at December 31, 2013.

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 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.

In July 2013, the swap expired and the remaining 228,600 notional SARS were unwound. As a result there is no longer any amounts receivable related to the equity total return swap (2012 – current receivable balance of $736,000). Realized before-tax losses recorded in the year were $72,000 (2012 – before-tax gains of $210,000).

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**	**2015 - 2018**	**Thereafter**
Long-term debt *(note 9)*	**$**	**–**	43,500	–
Bank indebtedness		**998**	–	–
Accounts payable and accrued liabilities, net				
of current portion of CCD commitments		**15,717**	–	–
Dividends payable		**2,532**	–	–
Income taxes payable		**3,745**	–	–
CCD commitments, undiscounted *(notes 10)*		**779**	1,157	224
	$	**23,771**	44,657	224

Note 19 summarizes the additional commitments and contractual obligations the Company will have if the Toronto, Vancouver and Saint John business acquisitions are approved by the CRTC.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

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, 2013.

16. 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)		**2013**	2012
Statutory income tax rate		**31%**	31%
Provision based on the statutory income tax rate applied			
to profit from continuing operations	**$**	**7,838**	5,045
Increase (decrease) due to:			
Subsidiary rate differential		**(1,028)**	(771)
Non-taxable portion of broadcast licence impairment charge		**–**	793
Non-taxable portion of realized and unrealized capital losses		**95**	344
Non-deductible stock-based compensation		**21**	376
Other		**198**	(546)
Revision to estimate for uncertain tax positions (see below)		**(5,270)**	–
Deferred income tax expense relating to the			
changes in corporate income tax rates		**27**	434
Deferred income tax recovery relating to the			
origination and reversal of temporary differences		**(291)**	(28)
	$	**1,590**	5,647
The components of the provision for income taxes on			
profit from continuing operations are as follows:			
Current tax (recovery) expense	**$**	**(3,670)**	5,857
Deferred income tax expense (recovery)		**5,260**	(210)
	$	**1,590**	5,647

In 2013, the Company settled on certain tax matters and re-measured certain estimates, including accrued interest, related to uncertain tax positions. The Company reduced current income taxes payable by $10,324,000 and increased deferred tax liabilities by $5,054,000 with the difference of $5,270,000 flowing through profit as a reduction of the provision for income taxes.

16. 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)		**2013**	2012
Deferred income tax assets			
Canadian Content Development commitments	$	**334**	488
Tax loss carryforwards		**523**	254
Employee benefit plans		**1,714**	2,282
Other		**544**	658
Deferred income tax liabilities			
Property and equipment		**(2,533)**	(2,527)
Broadcast licences and goodwill		**(22,248)**	(16,575)
Net deferred income tax liability	$	**(21,666)**	(15,420)
The net deferred income tax liability is included under the following captions on the consolidated statements of financial position:			
Long-term deferred income tax assets	$	**3,115**	3,682
Long-term deferred income tax liabilities		**(24,781)**	(19,102)
	$	**(21,666)**	(15,420)

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 non-capital loss carryforwards of $1,927,000 (2012 – $940,000). A deferred income tax asset of $523,000 (2012 – $254,000) has been recognized in respect of non-capital loss carryforwards. The available non-capital loss carryforwards will expire as follows: $98,000 in 2026; $173,000 in 2027; $300,000 in 2028; and $1,356,000 in 2033.

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

		For the Year Ended December 31, 2013			For the Year Ended December 31, 2012		
(thousands of Canadian dollars)		Continuing Operations	Discontinued Operations	OCI	Continuing Operations	Discontinued Operations	OCI
Deferred income tax assets							
Canadian Content Development commitments	$	**156**	**(3)**	–	324	(3)	–
Tax loss carryforwards		**(269)**	–	–	377	–	–
Employee benefit plans		**(29)**	–	**597**	378	–	(20)
Other		**(37)**	–	**151**	(459)	–	424
Deferred income tax liabilities							
Property and equipment		**6**	–	–	(216)	–	–
Broadcast licences and goodwill		**5,673**	–	–	(305)	–	–
Other		**(240)**	–	–	(309)	–	–
Deferred income tax expense (recovery)	$	**5,260**	**(3)**	**748**	(210)	(3)	404

17. 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)	**2013**	2012
Weighted average common shares used		
in calculation of basic earnings per share	**28,685**	29,759
Effect of dilution related to executive stock options	**1,278**	1,149
Weighted average common shares used in		
calculation of diluted earnings per share	**29,963**	30,908

18. SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of Canadian dollars)		**2013**	2012
Change in non-cash working capital relating to			
operating activities from continuing operations			
Marketable securities, excluding $649 related to			
unrealized losses (2012 – $2,222)	**$**	**–**	122
Receivables		**(1,013)**	(1,298)
Prepaid expenses		**3**	(406)
Accounts payable and accrued liabilities		**3,777**	2,837
	$	**2,767**	1,255

19. COMMITMENTS AND CONTINGENCIES

Operating leases and other

The Company has total commitments of $17,600,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows: 2014 – $4,500,000; 2015 – $3,800,000; 2016 – $3,500,000; 2017 – $2,600,000; 2018 – $1,900,000 and thereafter $1,300,000.

As described below, the Company has entered into a purchase and sale agreement with Bell Media Inc. If approved, the Company will become obligated to commitments of $2,200,000 under operating leases for the properties and equipment acquired (above and beyond the commitments listed above). Minimum annual amounts under these leases are as follows: 2014 – $800,000; 2015 – $600,000; 2016 – $300,000; 2017 – $200,000; 2018 – $100,000 and thereafter $200,000.

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.

Canadian Content Development Commitments

In August, the Company announced it had entered into a purchase and sale agreement with Bell Media Inc. to acquire a combination of five radio stations in Toronto, Ontario and Vancouver, British Columbia for $112,000,000. In July, the Company announced it had entered into a purchase and sale agreement to acquire CHNI-FM in Saint John, New Brunswick from Rogers Broadcasting Ltd. for $750,000. These transactions are subject to CRTC approval.

In addition to the purchase prices noted above, if approved, the Company will become obligated to fund Canadian Content Development payments, over a seven year period, of approximately $10,500,000 upon the closing of the acquisitions. The Company's long-term debt balance will also increase by the purchase price amounts noted above.

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.

20. 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 Fort McMurray, Alberta operations have been excluded from the Broadcasting segment figures as a result of accounting for discontinued operations as described in note 8.

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
2013				
Revenue	**$**	**128,905**	**3,692**	**132,597**
Operating expenses		**(87,691)**	**(11,708)**	**(99,399)**
Segment profit (loss)		**41,214**	**(8,016)**	**33,198**
Depreciation, amortization and accretion of other liabilities		**(4,067)**	**(284)**	**(4,351)**
Interest expense		**–**	**(2,545)**	**(2,545)**
Other expense		**(464)**	**(553)**	**(1,017)**
Profit (loss) from continuing operations before provision for income taxes	**$**	**36,683**	**(11,398)**	**25,285**
Assets employed	**$**	**222,329**	**13,276**	**235,605**
Liabilities		**(30,053)**	**(71,767)**	**(101,820)**
Other disclosures				
Broadcast licences		**154,481**	**–**	**154,481**
Goodwill		**7,422**	**–**	**7,422**
Capital expenditures		**(5,089)**	**(216)**	**(5,305)**
2012				
Revenue	$	125,603	3,686	129,289
Operating expenses		(83,684)	(12,220)	(95,904)
Segment profit (loss)		41,919	(8,534)	33,385
Depreciation, amortization and accretion of other liabilities		(4,079)	(263)	(4,342)
Interest expense		–	(3,577)	(3,577)
Other expense		(277)	(2,333)	(2,610)
Impairment charge, net of recovery of $905		(6,583)	–	(6,583)
Profit (loss) from continuing operations before provision for income taxes	$	30,980	(14,707)	16,273
Assets employed	$	216,583	15,813	232,396
Liabilities		(60,202)	(53,066)	(113,268)
Other disclosures				
Broadcast licences		151,830	–	151,830
Goodwill		6,109	–	6,109
Capital expenditures		(4,059)	(178)	(4,237)

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.

Directors of the Company control 70% of the Class A Shares and 98% 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 includes:

(thousands of Canadian dollars)		**2013**	2012
Short-term benefits			
Salaries including bonuses	**$**	**3,053**	3,034
Other		**278**	273
Post-employment benefits			
Defined benefit pension plan expense		**152**	184
Defined contribution pension plan expense		**60**	59
Share-based compensation expense		**6**	65
Share-based compensation expense related to the extension of expiry date of options		**–**	770
Total remuneration included in operating expenses	**$**	**3,549**	4,385

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.

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	Hot AC	FM	101.3 MHz
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	90.3 AMP Radio	CKMP-FM	Top 40	FM	90.3 MHz
West	Calgary	XL-103	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	790 kHz
West	Cold Lake	K-Rock/Lakeland	CJXK-FM	Rock	FM	95.3 MHz
West	Drumheller	Q91	CKDQ	Country	AM	910 kHz
West	Edmonton	Capital FM	CKRA-FM	Classic Hits	FM	96.3 MHz
West	Edmonton	K-97	CIRK-FM	Classic Rock	FM	97.3 MHz
West	Edson	The Eagle	CFXE-FM	Classic Hits/Today's Hits	FM	94.3 MHz
West	Elkford	Mountain Radio	CJEV®	Country	AM	1340 kHz
West	Fox Creek (1)	The Rig 96.7	CFXW-FM®	Rock	FM	98.1 MHz
West	Grande Cache	The Eagle	CFXG-FM®	Classic Hits/Today's Hits	FM	93.3 MHz
West	High Prairie	Prairie FM	CKVH-FM	Classic Hits/Today's Hits	FM	93.5 MHz
West	Hinton	The Eagle	CFXH-FM	Classic Hits/Today's Hits	FM	97.5 MHz
West	Hinton (1)	New FM	TBA	Rock	FM	104.9 MHz
West	Jasper	The Eagle	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	Country 100.7	CIGV-FM1®	Country	FM	98.9 MHz
West	Lac La Biche	Big Dog	CILB-FM	Classic Hits/Today's Hits	FM	103.5 MHz
West	Lloydminster	CILR	CILR-FM	Tourism Information	FM	98.9 MHz
West	Lloydminster	Lloyd-FM	CKSA-FM	Country	FM	95.9 MHz
West	Lloydminster	CBC TV	CKSA-DT	CBC	TV	CH-2
West	Lloydminster	CTV TV	CITL-DT	CTV	TV	CH-4
West	Penticton	Country 100.7	CIGV-FM	Country	FM	100.7 MHz
West	Pincher Creek	Mountain Radio	CJPV-FM®	Country	FM	92.7 MHz
West	Princeton	Country 100.7	CIGV-FM2®	Country	FM	98.1 MHz
West	Red Deer	KG Country 95.5	CKGY-FM	Country	FM	95.5 MHz
West	Red Deer	Z98.9	CIZZ-FM	Rock	FM	98.9 MHz
West	Slave Lake	92.7 Lake-FM	CHSL-FM	Classic Hits/Today's Hits	FM	92.7 MHz
West	St. Paul	97.7 The Spur	CHSP-FM	Country	FM	97.7 MHz
West	Stettler	Q93.3	CKSQ-FM	Country	FM	93.3 MHz
West	Wabasca	92.7 Lake-FM1	CHSL-FM1®	Classic Hits/Today's Hits	FM	94.3 MHz
West	Wainwright	K-Rock	CKKY-FM	Rock	FM	101.9 MHz
West	Wainwright	Wayne-FM	CKWY-FM	Classic Hits/Today's 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

Central Region

Region	Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Central	Ottawa	Hot 89.9	CIHT-FM	Top 40	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	Top 40	FM	93.5 MHz

Eastern Region

Region	Location	Name	Call Letters	Format	AM/FM/TV	Frequency
East	Charlottetown	Hot 105.5	CKQK-FM	Top 40	FM	105.5 MHz
East	Charlottetown	Ocean 100	CHTN-FM	Classic Hits	FM	100.3 MHz
East	Elmira	Hot 105.5	CKQK-FM1®	Top 40	FM	103.7 MHz
East	Elmira	Ocean 100	CHTN-FM1®	Classic Hits	FM	99.9 MHz
East	St. Edwards	Hot 105.5	CKQK-FM2®	Top 40	FM	91.1 MHz
East	St. Edwards	Ocean 100	CHTN-FM2®	Classic Hits	FM	89.9 MHz
East	Halifax	Radio 96-5	CKUL-FM	Modern AC	FM	96.5 MHz
East	Halifax	Q104	CFRQ-FM	Rock	FM	104.3 MHz
East	Kentville	K-Rock 89.3	CIJK-FM	Rock	FM	89.3 MHz
East	Sydney	The Giant 101.9	CHRK-FM	Hot AC	FM	101.9 MHz
East	Sydney	The Eagle	CKCH-FM	Country	FM	103.5 MHz
East	Fredericton	Hot 92.3	CFRK-FM	Top 40	FM	92.3 MHz
East	Fredericton	Up 93.1	CIHI-FM	Classic Hits	FM	93.1 MHz
East	Miramichi	SUN-FM	CHHI-FM	Hot AC	FM	95.9 MHz
East	Moncton	C103	CJMO-FM	Rock	FM	103.1 MHz
East	Moncton	XL Country 96.9	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 [(1)]	New-FM	TBA	Hot AC	FM	97.1 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	Goose Bay	Big Land-FM	CFLN-FM	News/Talk/Country/Classic Rock Hybrid	FM	97.9 MHz
East	Lewisporte	K-Rock	CKXG-FM1®	Classic Rock	FM	101.3 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[(1)]	CFNW	CFNW®	News/Talk/Country	FM	96.7 MHz
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	99.1 HITS-FM	CKIX-FM	Top 40	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

® Repeating Signal

[(1)] New licence awarded by CRTC

BOARD OF DIRECTORS

Harry R. Steele, O.C.
Dartmouth, Nova Scotia
Director since 1972
Chairman of the Board of Directors

Harry R. Steele, OC is the non-executive Chairman of the Board of Directors. Mr. Steele was appointed an Officer of the Order of Canada in 1992.

David I. Matheson, Q.C.[1]
Toronto, Ontario
Director since 2004 (and from 1986 to 1998)
Managing Director, Matheson Global Advisory Group

David I. Matheson, Q.C. conducts a corporate and international advisory business through the services of the Matheson Global Advisory Group as its managing director after having been a corporate and tax 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. As a tax lawyer, he 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.

[1] Member of Audit & Governance Committee

Robert G. Steele
Halifax, Nova Scotia
Director since 1997
President and Chief Executive Officer

Robert G. Steele has been President and Chief Executive Officer of Newfoundland Capital Corporation Limited since May 1, 2002 after having served as President and Chief Operating Officer from March 1, 2001 and as 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, currently consisting of fourteen dealerships. Robert is a member of the Young Presidents Organization, and is actively involved in several local charitable organizations.

Allen F. MacPhee [1]
Halifax, Nova Scotia
Director since 2011
President - A.F. MacPhee Holdings Ltd.

Allen F. 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. Mr. MacPhee has had extensive experience as a senior manager and leader and has been successful in the effective management of business and financial practices aligned with stakeholder interests. He has experience in reviewing and interpreting financial statements and financial information. He also is very intimate with all aspects of the businesses he has run – operational, financial and human resources matters. From 2011 to 2012 he was the Chairman of the Canadian Automobile Dealers Association. In 2009, Al MacPhee was inducted into the Junior Achievement of Nova Scotia Business Hall of Fame and for the last four years was honoured as one of Atlantic Canada's Top 50 CEO's. Al served two consecutive terms on the Board of Governors of the Cape Breton University located in Sydney, Nova Scotia and currently he is the President of MacPhee Ford in Dartmouth, Nova Scotia.

[1] Member of Audit & Governance Committee

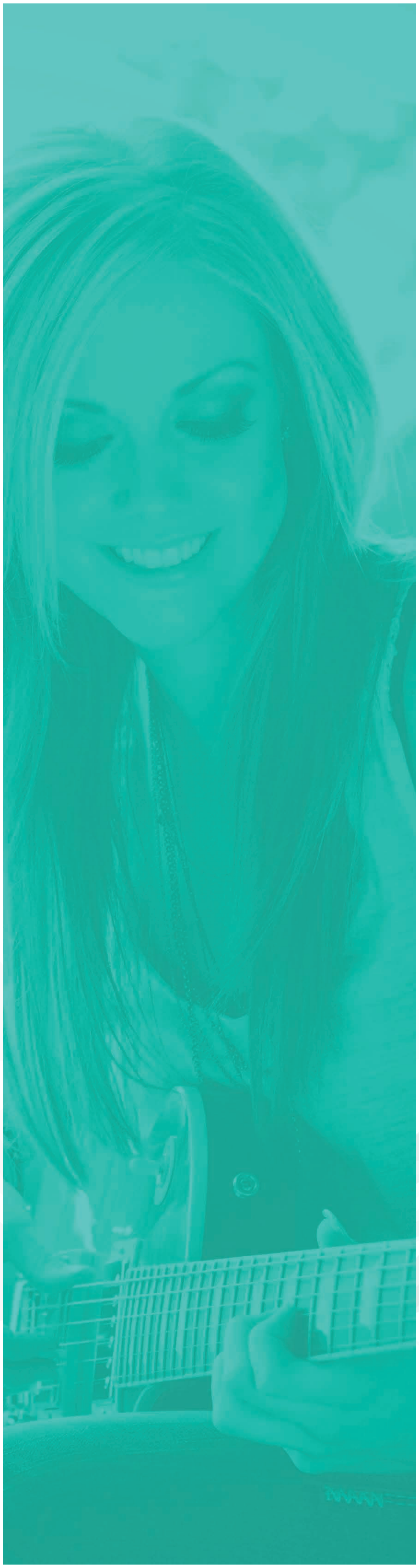
Michael (Mickey) C. MacDonald [1]
Halifax, Nova Scotia
Director since 2006
President - Micco Companies

Michael (Mickey) C. MacDonald, President of Micco Companies, is a well-known entrepreneur whose business interests are diversified across many industries including automotive leasing, retail, food and beverage, fitness and residential land development. Mr. MacDonald has held senior leadership and management roles of several organizations and as such has had to manage and oversee sound business and financial practices aligned with the best interests of various stakeholders. He has extensive experience in reviewing and interpreting financial statements and financial information. He continuously evaluates his current business holdings and potential business acquisitions for expansion while continually striving to improve operational success. 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.

Donald J. Warr, F.C.A.[1]
St. John's, Newfoundland and Labrador
Director since 1995
Partner - Blackwood & Warr

Donald J. Warr, FCA is partner with the chartered accounting firm Blackwood & Warr in Newfoundland and Labrador. He obtained a Bachelor of Commerce degree in 1967 before obtaining his Chartered Accountancy designation in 1970. Prior to starting his own practice in 1992, Mr. Warr was a tax partner with a large national accounting firm. He was past 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. Mr. Warr, in addition to serving as a director for the Company, also serves as a director to Altius Minerals Corp., a public entity. He has extensive knowledge and experience with preparing, auditing, analyzing and evaluating financial statements, along with an extensive background in taxation matters, internal controls and procedures surrounding financial reporting.

[1] Member of Audit & Governance Committee



Corporate Governance

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

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

Kim Day
Vice-President, Finance

Mike Fawcett
Vice-President, Engineering

Steve Jones
Vice-President, Programming

Philip Reid
Vice-President, Administration

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 CST 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 CST Trust 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
The Royal Bank of Canada

Legal Counsel
Stewart McKelvey

Annual meeting
The Annual General Meeting of Shareholders will be held at 11:00 a.m., Thursday, May 8, 2014 in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, NS.

NewCap RADIO

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