NEWFOUNDLAND CAPITAL CORPORATION LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

March 9, 2017

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MANAGEMENT’S DISCUSSION & ANALYSIS

The purpose of the Management’s Discussion and Analysis (“MD&A”) is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the “Company”) and should be read in conjunction with the annual audited consolidated financial statements (“annual financial statements”), prepared as of March 9, 2017, and related notes contained in this 2016 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 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, 2016 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 9, 2017. 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, competition, technological developments, cyber security, the dependency on advertising revenues, 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 95 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 80 FM and 15 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.

STRATEGY AND OBJECTIVES

The Company’s long-term strategy is to maximize returns on existing operations and add new licences through business and licence acquisitions and through the Canadian Radio-television and Telecommunications Commission (“CRTC”) licence application process.

The Company’s day-to-day operating objective is to grow its existing operations by increasing advertising revenue and remaining focused on controlling discretionary costs to continuously improve EBITDA margins. The Company will continue to explore acquisition and expansion opportunities that fit with the Company’s objectives. The Company’s commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

SIGNIFICANT 2016 FINANCIAL HIGHLIGHTS

Consolidated revenue was 3% higher than in 2015 and consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA" [1]) increased by 13%. Consolidated profit was $31.0 million, higher than profit of $22.9 million last year for various reasons, which are described below. In the Company's core operating segment, Broadcasting, revenue grew by 3% and EBITDA grew by 12% compared to 2015.

The following points provide a brief description of the 2016 financial highlights, details of which follow in the *Analysis of Consolidated Results* section:

- The 3% increase in consolidated revenue was due to growth in the broadcasting segment primarily as a result of the growth of revenue in Toronto, Ottawa and Halifax which offset revenue declines in Alberta and Newfoundland and Labrador as a result of challenging economic circumstances in those markets.
- The 1% decrease in operating expenses is primarily a result of reduced CMRRA-SODRAC Inc. ("CSI") and Connect Music Licensing ("Connect") tariffs as a result of a Copyright Board of Canada decision made during the year. The Company's annual financial statements include a $2.2 million recovery in operating expenses as a result of this decision, $1.5 million of which related to a refund of tariffs paid in prior years. The Company's fourth quarter financial statements include a $0.5 million recovery in operating expenses as a result of this decision, $0.3 million of which related to a refund of tariffs paid in prior periods. The impact of this decision on the Company's financial results is described throughout this MD&A as a "reduction and refund of certain copyright tariffs." The impact of this decision is discussed further in the *Risks, Uncertainties and Opportunities* section of this MD&A.
- The 13% increase in consolidated EBITDA was a result of increased revenue as well as lower operating expenses.
- Profit increased to $31.0 million this year compared to $22.9 million last year. The increase in profit is primarily a result of higher revenue, the recovery of previously paid tariffs, lower interest expense, and a lower effective tax rate.
- The Company increased its annual dividends by 33% to $0.20 per share during 2016 from $0.15 per share in the prior year.
- The Company repurchased a total of 1,158,900 Class A Subordinate Voting shares for cash consideration of $11.1 million during 2016.

[1]*Refer to page 22 Non-IFRS Accounting Measure.*

RECENT OPERATIONAL HIGHLIGHTS

- January and February 2017 – rebranded all British Columbia, New Brunswick, and Nova Scotia country stations as New Country.
- January 2017 – launched a new FM Licence in Hinton, Alberta.
- November 2016 – rebranded all Alberta country stations as "Real Country" except CFCW which will remain as its own brand as it is a well-known country brand in Alberta.
- May 2016 – launched a new FM licence in Clarenville, Newfoundland and Labrador.
- March 2016 – rebranded CKDQ in Drumheller to 910 CFCW, an extension of the Company's legendary CFCW brand, the voice of rural Alberta, which is a well-known country brand that is now available in nearly all of Alberta.
- February 2016 – rebranded CFXJ-FM in Toronto to 93.5 The Move, a rhythmic hot adult contemporary station targeting adults 25 to 44.
- February 2016 – rebranded CKUL-FM in Halifax to Mix 96.5, a hot adult contemporary station playing a variety of pop/rock hits from the 90s to now.
- December 2015 – launched a new FM licence in Fox Creek, Alberta (a repeater of CFXW-FM Whitecourt, Alberta).

FINANCIAL PERFORMANCE REVIEW

Business Combinations in 2014

In 2014, the Company acquired two radio stations in Toronto, Ontario and three in Vancouver, British Columbia for cash consideration of $111.9 million. The stations acquired consisted of Boom 97.3 and Flow 93.5 in Toronto, and Z95.3, LG104.3 and CISL 650 in Vancouver. The Company also acquired CHNI-FM (Rock 88.9) in Saint John, New Brunswick for cash consideration of $0.8 million.

The financial results of these stations have been included in profit since their respective acquisition dates.

Selected Financial Highlights

Since 2014, revenue has grown by 10%. This was due to growth in the broadcasting segment, both organic and as a result of incremental growth from stations acquired. Below are some of the other significant factors that affected profit between 2014 and 2016:

- 2014 – The Company recorded business acquisition transaction costs of $8.9 million and a $5.7 million impairment charge.
- 2015 – The Company realized improved profit due to the first full year of operations with the Toronto and Vancouver radio stations, maximizing its return from the largest acquisition in the Company's history.
- 2016 – The Company successfully grew profit through its organic operations by growing revenue and controlling costs. Also contributing to the increase in profit was the reduction and refund of certain copyright tariffs.

Selected Financial Highlights *(thousands of Canadian dollars, except share data)*	**2016**	2015	2014
Revenue	**$ 169,531**	164,602	154,500
Profit [(1)]	**30,984**	22,891	11,195
Weighted average number of outstanding shares			
– basic *(thousands)*	**26,079**	27,355	28,152
– diluted *(thousands)*	**27,284**	28,628	29,339
Earnings per share [(1)]			
– basic	**$ 1.19**	0.84	0.40
– diluted	**1.14**	0.80	0.38
Total assets [(1)]	**$ 372,663**	369,281	361,712
Long-term debt, including current portion	**129,455**	145,908	138,525
Dividends declared			
Class A shares	**$ 0.20**	0.15	0.15
Class B shares	**0.20**	0.15	0.15

[(1)]Profit, earnings per share, and total assets for 2015 and total assets for 2014 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. For further details, refer to note 3 to the annual financial statements for the year ended December 31, 2016.

Consolidated Financial Results of Operations

The Company's consolidated financial results of operations for the fourth quarter in 2016 and 2015 and for the year ended December 31, 2016 and 2015 were as follows:

	Three months ended December 31			Twelve months ended December 31		
(thousands of Canadian dollars, except per share data and percentages)	**2016**	2015	% change	**2016**	2015	% change
Revenue	$ **46,972**	45,493	3%	**169,531**	164,602	3%
Operating expenses	**(30,276)**	(31,037)	(2%)	**(117,740)**	(118,634)	(1%)
EBITDA	**16,696**	14,456	15%	**51,791**	45,968	13%
Depreciation and amortization	**(1,160)**	(1,348)	(14%)	**(4,864)**	(4,868)	—
Accretion of other liabilities	**(60)**	(87)	(31%)	**(310)**	(425)	(27%)
Interest expense	**(1,140)**	(1,340)	(15%)	**(4,766)**	(6,382)	(25%)
Other income (expense)	**(35)**	(247)	(86%)	**889**	(571)	—
Profit before provision for income taxes	**14,301**	11,434	25%	**42,740**	33,722	27%
Provision for income taxes (1)	**(3,926)**	(3,518)	12%	**(11,756)**	(10,831)	9%
Profit (1)	$ **10,375**	7,916	31%	**30,984**	22,891	35%
Earnings per share (1) - basic	**0.41**	0.30		**1.19**	0.84	
- diluted	**0.39**	0.28		**1.14**	0.80	

(1) *Provision for income taxes, profit, and earnings per share for the fourth quarter and twelve months ended December 31, 2015 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. For further details, refer to note 3 to the annual financial statements for the year ended December 31, 2016.*

ANALYSIS OF CONSOLIDATED RESULTS

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

Revenue

Consolidated revenue was $47.0 million in the fourth quarter; a $1.5 million or 3% increase over the fourth quarter of 2015, as a result of revenue growth in the broadcasting segment. For the year ended December 31, 2016, consolidated revenue of $169.5 million was $4.9 million or 3% higher than last year as a result of revenue growth in the broadcasting segment. The quarter and annual growth was primarily related to the Toronto and Ottawa operations as a result of strong listener ratings in those markets.

Operating Expenses

Consolidated operating expenses for the fourth quarter were $30.3 million, $0.8 million or 2% lower than in 2015 as a result of lower operating expenses in the broadcasting segment. The Company recognized a reduction and refund of certain copyright tariffs during the fourth quarter. Also contributing to the lower operating expenses was a focus on cost control and savings as a result of restructuring during the previous two years, which were partially reinvested in programming and sales talent. Offsetting these savings was an increase in restructuring costs as the Company incurred approximately $1.3 million in restructuring costs in the fourth quarter of 2016, compared to approximately $1.1 million the prior year. Excluding 2016 and 2015 restructuring costs and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, operating expenses decreased by $0.5 million or 2%, primarily as a result of lower operating costs in the broadcasting segment.

For the year ended December 31, 2016, operating expenses were $117.7 million, $0.9 million or 1% lower than the prior year. The decrease in operating expenses was largely attributable to lower operating costs in the broadcasting segment as a result of the reduction and refund of certain copyright tariffs. Restructuring costs of

$2.9 million incurred in the current year are comparable to prior year restructuring costs of $3.0 million. Excluding restructuring costs in 2016 and 2015 and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, operating expenses increased by $1.2 million or 1%, primarily as a result of higher variable costs related to higher revenues.

EBITDA

Fourth quarter consolidated EBITDA was $16.7 million, $2.2 million or 15% higher than the same period last year as a result of higher revenue and reduced operating costs in the broadcasting segment. For the year ended December 31, 2016, EBITDA of $51.8 million was $5.8 million or 13% higher than in 2015 due to the revenue growth achieved in the broadcasting segment as well as the reduction and refund of certain copyright tariffs recognized in operating expenses. Excluding restructuring costs in 2016 and 2015 and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, fourth quarter EBITDA was $2.0 million or 13% higher than the same quarter last year and year-to-date EBITDA was $3.7 million or 8% higher than in 2015.

Depreciation and Amortization

Depreciation and amortization in the fourth quarter of $1.2 million was $0.2 million or 14% lower than the same quarter last year as certain assets became fully depreciated earlier in the year. A significant portion of property and equipment additions during 2016 related to land, which is not depreciable. For the year ended December 31, 2016, depreciation and amortization of $4.9 million was consistent with the prior year.

Accretion of Other Liabilities

Accretion of *other liabilities* arises from discounting Canadian Content Development (“CCD”) commitments to reflect the fair value of the obligations. The expense in the quarter and year-to-date were lower than the same periods last year because of the repayment of CCD commitments, which lowered the basis on which accretion was calculated.

Interest Expense

Interest expense in the fourth quarter of $1.1 million was $0.2 million or 15% lower than the same quarter last year due to lower effective interest rates and a lower balance of long-term debt as a result of repayments during the year. For the year ended December 31, 2016, interest expense of $4.8 million was $1.6 million or 25% lower than the prior year as a result of fluctuations in the value of the Company’s interest rate swap payable, which contributed $0.8 million of the variance, combined with lower effective interest rates and a lower balance of long-term debt as a result of repayments during the year.

Other Income (Expense)

Other income (expense) generally consists of gains and losses, realized and unrealized, on the Company’s marketable securities and items that are not indicative of the Company’s core operating results, and not used in the evaluation of the consolidated Company’s performance. During the third quarter of 2016, the Company sold the remaining marketable securities and will no longer have significant fluctuations due to changes in market value of marketable securities. *Other expense* in the quarter of less than $0.1 million was $0.2 million lower than the same quarter last year primarily as a result of mark-to-market unrealized losses on the Company’s marketable securities in 2015.

Other income for the year ended December 31, 2016 of $0.9 million was $1.5 million higher than the *other expense* recognized in the prior year, primarily as a result of gains on the Company’s marketable securities of $0.8 million, which was comprised of $1.3 million of unrealized mark-to-market gains and $0.5 million of realized losses on the disposition of marketable securities. In the prior year, the Company recognized losses of $0.6 million, of which $0.1 million was realized losses on disposition and $0.5 million was unrealized mark-to-market losses.

Provision for Income Taxes

In the fourth quarter, the provision for income taxes was $3.9 million, $0.4 million or 12% higher than last year, while the year ended December 31, 2016 provision for income taxes of $11.8 million was $0.9 million or 9% higher than the prior year. The increase in provision for income taxes for the fourth quarter and the year ended December 31, 2016 was a result of higher profit before provision for income taxes compared to the same periods in the prior year. The effective income tax rate in the fourth quarter and for the year ended December 31, 2016 was 27.5%, which is lower than the Company's statutory rate of 31% primarily because of the subsidiary rate differential.

Profit

Profit for the fourth quarter of $10.4 million was $2.5 million higher than the same quarter last year due primarily to revenue growth, lower operating expenses, lower interest expense, and a lower effective tax rate. Excluding restructuring costs in 2016 and 2015 and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, profit increased by $1.9 million or 21% compared to the same quarter last year.

For the year ended December 31, 2016, profit of $31.0 million was $8.1 million higher than the prior year, primarily as a result of revenue growth, a reduction and refund of certain copyright tariffs, lower interest expense, and a lower effective tax rate. Excluding restructuring costs in 2016 and 2015 and normalizing for the prior year impact of the reduction and refund of certain copyright tariffs, annual profit was $5.6 million or 21% higher than in 2015.

Other Comprehensive Income (Loss) ("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 loss recorded in OCI for the interest rate swap was a loss of less than $0.1 million in the fourth quarter (2015 - loss of less than $0.1 million) and for the year ended December 31, 2016, was a loss of $0.1 million (2015 - loss of $0.1 million). Net actuarial gains of $0.2 million were recorded in OCI for the fourth quarter and year ended December 31, 2016 (2015 - actuarial gains of $0.1 million were recorded in OCI for the fourth quarter and year ended December 31, 2015).

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operations of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue and segment EBITDA because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 19 of the 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. Cash-generating units ("CGUs") 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.

BROADCASTING

	Three months ended December 31			Twelve months ended December 31		
(thousands of Canadian dollars, except percentages)	**2016**	2015	% change	**2016**	2015	% change
Revenue	**$ 45,970**	44,543	3%	**$ 165,029**	160,598	3%
Operating expenses	**(25,985)**	(27,995)	(7%)	**(103,779)**	(105,930)	(2%)
EBITDA	**$ 19,985**	16,548	21%	**$ 61,250**	54,668	12%
EBITDA margin	**43%**	37%	6%	**37%**	34%	3%

Revenue

Fourth quarter revenue of $46.0 million was $1.4 million or 3% higher than the same quarter last year. During the year ended December 31, 2016, revenue of $165.0 million was $4.4 million or 3% higher than the same period in 2015. During the fourth quarter and year-to-date, revenue growth was achieved as the Company benefited from its strong performance in the Toronto, Ottawa and Halifax markets, which allowed it to outperform the Canadian radio industry, which declined 3% during the fourth quarter and year ended December 31, 2016. Partially offsetting the strong performance in certain markets was a total revenue decline of 8% at the Company's Alberta and Newfoundland and Labrador operations as a result of challenging economic environments in those regions.

Ratings results in December 2016 were positive for the Company, achieving top two ranking in twelve out of sixteen markets and achieving first place in seven of those markets.

Operating Expenses

Broadcasting operating expenses for the fourth quarter were $26.0 million, $2.0 million or 7% lower than in 2015 due to a decline of $0.9 million in restructuring costs incurred during the fourth quarter of 2016 compared to the same period last year, and the reduction and refund of certain copyright tariffs. Excluding 2016 and 2015 restructuring costs and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, operating expenses decreased by $0.7 million or 3%, as a result of the continued focus on controlling costs in 2016.

Broadcasting operating expenses for the year ended December 31, 2016 of $103.8 million were $2.2 million or 2% lower than last year. The decrease was primarily due to the reduction and refund of certain copyright tariffs. In addition, the Company realized cost savings resulting from restructuring that has taken place over the past two years. These benefits were partially offset by the Company's continued investment in its stations to maximize returns, which included rebranding advertising campaigns in Toronto and Halifax as well as a significant advertising campaign in Vancouver during the year. Excluding current and prior year restructuring costs and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, operating expenses in the broadcasting segment declined by $0.4 million or less than 1% compared to the prior year.

EBITDA

Fourth quarter broadcasting EBITDA of $20.0 million was $3.4 million or 21% higher than the same quarter in 2015 and year-to-date EBITDA of $61.3 million was $6.6 million or 12% higher than last year. The growth in EBITDA and in EBITDA margins was a result of revenue growth achieved and the Company's continued focus on controlling costs. Excluding current and prior year restructuring costs and normalizing for the prior period impact of the reduction and refund of certain copyright tariffs, fourth quarter EBITDA was $2.2 million or 12% higher than the same period last year and annual EBITDA was $4.8 million or 8% higher than the prior year.

CORPORATE AND OTHER SEGMENT

The Corporate and Other segment derives its revenue from hotel operations as well as office space rental and related services revenue. Corporate and Other expenses are related to head office functions and hotel operations.

CORPORATE AND OTHER

		Three months ended December 31			Twelve months ended December 31		
(thousands of Canadian dollars, except percentages)		**2016**	2015	% change	**2016**	2015	% change
Revenue	**$**	**1,002**	950	5%	**4,502**	4,004	12%
Operating expenses		**(4,291)**	(3,042)	41%	**(13,961)**	(12,704)	10%
EBITDA	**$**	**(3,289)**	(2,092)	(57%)	**(9,459)**	(8,700)	(9%)

Revenue

Revenue in the fourth quarter of 2016 of $1.0 million was $0.1 million or 5% higher than the same period last year and annual revenue of $4.5 million was $0.5 million or 12% higher than in 2015 because the Company has begun to rent out office space in its head office building effective January 1, 2016 and earned related services revenue during the quarter and year. Revenue from the Company's hotel operations for the fourth quarter of 2016 was consistent with the prior year and for the year was $0.1 million higher than 2015.

Operating Expenses

Operating expenses of $4.3 million in the fourth quarter were $1.2 million or 41% higher than the same quarter last year and for the year ended December 31, 2016, operating expenses were $14.0 million, $1.3 million or 10% higher than in 2015. The increase was primarily a result of the recognition of a $1.0 million restructuring charge during the fourth quarter.

EBITDA
EBITDA declined in the quarter and year ended December 31, 2016 because of the higher operating expenses.

SELECTED QUARTERLY FINANCIAL INFORMATION

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. During 2016 and 2015, the Company's quarterly results were consistent with the expected seasonality.

SELECTED QUARTERLY FINANCIAL INFORMATION *(unaudited except annual totals)*
(thousands of Canadian dollars, except share data)

		Quarter				
		1st	2nd	3rd	4th	Year
2016						
Revenue	**$**	**36,879**	**44,225**	**41,455**	**46,972**	**169,531**
Profit(1)		**4,571**	**8,300**	**7,738**	**10,375**	**30,984**
Earnings per share(1)						
– basic		**0.17**	**0.31**	**0.30**	**0.41**	**1.19**
– diluted		**0.16**	**0.30**	**0.29**	**0.39**	**1.14**
2015						
Revenue	$	35,505	42,598	41,006	45,493	164,602
Profit(1)		2,502	5,790	6,683	7,916	22,891
Earnings per share(1)						
– basic		0.09	0.21	0.25	0.30	0.84
– diluted		0.09	0.20	0.24	0.28	0.80

(1) Profit and earnings per share for the second quarter of 2016 and the second and fourth quarters of 2015 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. The impact of these changes was as follows: 2nd quarter 2016 - $105,000 decrease in profit, $0.01 decrease in basic earnings per share; 2nd quarter 2015 - $244,000 decrease in profit, $0.01 decrease in basic and diluted earnings per share; 4th quarter 2015 - $100,000 decrease in profit. For further details, refer to note 3 to the annual financial statements for the year ended December 31, 2016.

CASH FLOWS

The following table depicts the major sources of cash inflows and outflows in 2016 and 2015 by operating activities, financing activities and investing activities.

(thousands of Canadian dollars)		**2016**	2015
Funds generated from operations, before undernoted items	**$**	**51,296**	46,900
Change in working capital		**(64)**	(4,809)
Interest and income taxes paid		**(14,402)**	(16,558)
Net cash flows from operating activities	**$**	**36,830**	25,533
Net long-term debt (repayments) borrowings	**$**	**(16,750)**	7,250
Dividends paid		**(2,566)**	(6,527)
Repurchase of share capital		**(11,081)**	(13,860)
Other, including change in bank indebtedness		**238**	425
Net cash flows used in financing activities	**$**	**(30,159)**	(12,712)
Property and equipment additions	**$**	**(5,978)**	(9,712)
CCD commitment payments		**(2,394)**	(2,753)
Proceeds from disposal of marketable securities		**1,663**	105
Other		**38**	(461)
Net cash flows used in investing activities	**$**	**(6,671)**	(12,821)

Cash Flows – 2016
Cash flows from operating activities of $36.8 million, combined with the $1.7 million from the disposal of marketable securities were used to repay $16.8 million long-term debt, repurchase share capital for $11.1 million,

purchase property and equipment for $6.0 million, pay dividends of $2.6 million, and pay CCD commitments of $2.4 million.

Cash Flows – 2015
Cash flows from operating activities of $25.5 million, combined with the $7.3 million net long-term debt borrowings were used to repurchase share capital for $13.9 million, purchase property and equipment for $9.7 million, pay dividends of $6.5 million, and pay CCD commitments of $2.8 million.

Capital Expenditures and Capital Budget
Actual capital expenditures of $6.0 million were $1.0 million below the forecasted amount discussed in the Company's third quarter MD&A as a result of projects that were completed under forecast as well as other projects that were delayed and the completion of which is now considered in the Company's 2017 capital budget of $6.0 million.

The more significant investments in property and equipment in 2016 related to the acquisition of a property adjacent to the Company's head office in Dartmouth, Nova Scotia, expenditures related to the launch of the FM station in Clarenville, Newfoundland and Labrador, and expenditures related to the launch of an FM station in Hinton, Alberta that took place in early 2017. The Company also continued to invest in new broadcasting digital and automation equipment and capital associated with improving signals.

Capital expenditures for 2017 are expected to approximate $6.0 million. The major planned expenditures include improvements to studios, broadcasting equipment and transmitters and the possible acquisition of real property. The Company continuously upgrades its broadcasting equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total Assets
Assets of $372.7 million were $3.4 million higher than in 2015 due to property and equipment additions in 2016 and a higher balance of receivables outstanding as at December 31, 2016.

Liabilities, Shareholders' Equity and Capital Structure
As at December 31, 2016, the Company had $2.0 million of current bank indebtedness (2015 - $1.7 million) and $129.5 million of long-term debt, of which $11.3 million was current (2015 - $145.9 million, of which $11.3 million was current). The capital structure consisted of 41% equity ($151.2 million) and 59% liabilities ($221.5 million) at year-end (2015 - 37% or $136.2 million equity and 63% or $233.1 million liabilities).

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 Facilities and Covenants
The Company has two syndicated credit facilities. The first one is a $90.0 million revolving credit facility. This type of facility provides flexibility with no scheduled repayment terms. The Company also has a $90.0 million non-revolving credit facility that was drawn on March 31, 2014 to finance the Toronto and Vancouver business acquisitions. The non-revolving facility is being amortized over eight years and is repayable in quarterly instalments of $2.8 million.

In May 2015, the Company amended its credit facilities to reduce interest rates by 0.5%, change certain covenants and to extend the maturity date for both credit facilities to May 31, 2018.

The Company is subject to covenants on its credit facilities. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the year and at year-end.

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

Positive Cash Balances
The Company does not maintain any significant positive cash balances; instead it uses its cash balances to reduce debt and minimize interest expense. The fact that the Company does not have positive cash positions on its consolidated statements of financial position does not pose an increase to its liquidity risk because the Company generates cash from operations and included in the $90 million revolving credit facility is $5.0 million available to fund any current obligations, $2.0 million of which the Company had drawn as at December 31, 2016. The Company can access this remaining available amount of $3.0 million as well as the additional $17.0 million undrawn amount on its revolving credit facility to fund obligations.

Working Capital Requirements
As at December 31, 2016, the Company had a working capital surplus of $3.5 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 credit facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to the undrawn amount of its credit facilities.

Future Cash Requirements
Other than for ongoing operations, the Company's cash requirements are primarily for interest payments, repayment of debt, capital expenditures, CCD payments, dividend payments 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 in the C*ontractual Obligations* section.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's significant contractual obligations and commitments as at December 31, 2016 and the future periods in which the obligations become due and payable. Additional details regarding these obligations are provided in the notes to the annual financial statements, as referenced in the table.

Contractual Obligations *(thousands of Canadian dollars)*		2017	2018	2019	2020	2021	there-after	**Total**
Long-term debt *(note 9)*	$	11,250	118,625	—	—	—	—	**129,875**
Operating leases *(note 18)*		5,289	4,695	3,856	2,201	1,206	1,877	**19,124**
CCD commitments, undiscounted *(note 10)*		1,856	1,459	1,320	1,592	5	5	**6,237**
Pension funding obligation		519	524	529	535	540	4,330	**6,977**
Other long term liabilities *(note 10)*		60	60	60	60	60	725	**1,025**
Total contractual obligations	**$**	18,974	125,363	5,765	4,388	1,811	6,937	**163,238**

The Company expects its long-term debt will be renewed in 2018, which is consistent with past practice, and that the annual required payments in the years 2018 and thereafter would continue to be $11.3 million per year.

The Company recognizes long-term debt and CCD commitments (when stations are launched) as liabilities on the consolidated statements of financial position.

The Company also has obligations with respect to its employee benefit plans, as discussed in note 11 to 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* (Canada), and therefore are not pre-funded. As a result, the Company's annual funding obligation approximates $0.5 million.

SHARE CAPITAL

Outstanding Share Data

The weighted average number of shares outstanding for the year ended December 31, 2016 was 26,079,000 (2015 - 27,355,000). As at March 9, 2017, there are 21,805,737 Class A Subordinate Voting shares ("Class A shares") and 3,769,322 Class B Common shares ("Class B shares") outstanding.

Dividends Declared

In 2016, the Board of Directors declared dividends of $0.20 (2015 - $0.15) per share on each of its Class A shares and Class B shares. Dividends of $2.6 million were paid during the year (2015 - $6.5 million) and there were $2.6 million dividends payable as at December 31, 2016 (2015 - $nil as the dividends declared in the fourth quarter were paid in December).

Share Repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 1,145,715 Class A shares and 75,386 Class B shares. This bid expires June 5, 2017. During the year, the Company used its cash flows from operations to repurchase 1,158,900 of its Class A shares outstanding for cash consideration of $11.1 million (2015 - 1,569,800 Class A shares were repurchased for $13.9 million). Share repurchases of 34,000 were made under the Normal Course Issuer Bid that was in effect until May 24, 2016 and share repurchases of 1,124,900 were made under the Normal Course Issuer Bid currently in effect.

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 3,000,690. The number of Class A shares underlying outstanding options under the executive stock option plan is 1,960,000, of which 1,910,000 are vested, at prices ranging from $2.43 to $9.69. As of this date, 1,040,690 options remain available to grant.

During the year, the Company did not grant any executive stock options. In 2016, 292,500 options were exercised using the cashless exercise method resulting in 99,973 shares being issued from treasury. In 2015, 100,000 were granted and 175,000 options were exercised using the cashless exercise method resulting in 44,488 shares being issued from treasury.

Compensation expense related to the executive stock option plan in the year was $0.1 million (2015 - $0.1 million).

During the year, the Company's Board of Directors approved the extension of the expiry date for 1,850,000 options by five years, subject to approval by the Toronto Stock Exchange. In February 2017, the Toronto Stock Exchange approved the extension, conditional upon shareholder approval for 1,675,000 of the extended options at the Company's Annual General Meeting on May 10, 2017. The impact of these extensions is an estimated increase of $0.6 million in operating expenses when approved and an increase in the weighted average remaining contractual life from 1.74 years to 6.43 years.

Stock Appreciation Rights Plan

There are no stock appreciation rights outstanding as at December 31, 2016. During the first quarter of 2015, the remaining 50,000 rights were exercised for cash consideration of $0.1 million.

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

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Interest Rate Risk Management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the floating interest rates would have a $0.4 million impact on profit for the year.

The Company has in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The 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. A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreement would have impacted the fair value of the interest rate swap by approximately $0.1 million, which would have flowed through profit as the swap was ineffective for accounting purposes.

As at December 31, 2016, the aggregate fair value payable of the swap agreement was $0.3 million (2015 - $0.9 million).

Market Risk Management
As at December 31, 2016, the Company does not hold any marketable securities but did hold marketable securities during the year. Marketable securities 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 only invested a certain amount of funds in marketable securities.

Credit Risk Management
The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses, which totaled $1.1 million as at December 31, 2016. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 84% 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 during the year approximated $0.3 million. 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.

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 14 to the annual financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

IAS 19, "Employee Benefits" ("IAS 19") – Discount rate: regional market issue

On January 1, 2016, the Company adopted the amendment to IAS 19, which clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The adoption of this updated accounting standard did not result in a material impact to the consolidated financial statements.

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")

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for the annual period beginning January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Management is assessing the impact the adoption of IFRS 9 will have on the classification and measurement of the Company's financial assets and financial liabilities.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which was subsequently amended in September 2015 and April 2016. The standard applies to all revenue contracts and provides a five-step model for the recognition and measurement of revenue earned from a contract with a customer. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of certain non-financial assets that are not an output of the entity's ordinary activities. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period beginning January 1, 2018. The Company has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The Company does not expect IFRS 15 to have a material impact as a majority of the Company's contracts provide for distinct advertising services to be provided to a single customer. The Company continues to evaluate the impact that this standard may have on certain types of contracts, including large-volume contracts with groups of advertisers.

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which addresses the recognition, measurement, presentation, and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. With the approach of IFRS 16, lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors therefore continue to classify leases as operating or finance. The standard is effective for the annual period beginning January 1, 2019. The Company is assessing the impact this new standard will have on its consolidated financial statements.

IFRS 2, "Share-based Payment" ("IFRS 2")

In June 2016, the IASB issued three amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions, which are intended to eliminate diversity in the application of this standard. The effective date of the amendments is January 1, 2018. Entities are required to apply these amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company is assessing the impact these amendments will have on its consolidated financial statements.

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 revenue 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 and identifying CGUs based on whether or not there exists interdependency of customers and revenue between radio stations.

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

Impairment of Non-Financial Assets

The Company's primary non-financial assets subject to impairment include broadcast licences, goodwill, 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 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 8 to the annual financial statements.

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, 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, considers 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 to the annual financial statements.

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements 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 consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

Income Taxes

Deferred income tax assets and liabilities are measured using the substantively enacted tax rates and laws that 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 income 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 income tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

During the year, the Company has changed retrospectively its accounting policy for the accounting of deferred income taxes on intangible assets with indefinite useful lives to be in line with the IFRS Interpretations Committee's recommendations released in November 2016, which state that the expected manner of recovery for the purpose of measuring deferred income taxes on these assets must be through use, unless there is a specific plan to sell these assets. For further details, refer to note 3 to the annual financial statements for the year ended December 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2016, 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 following wholly owned subsidiaries: Newcap Inc., Glynmill Inn Inc., 8504580 Canada Inc., 8384827 Canada Inc., 8384860 Canada Inc., 8384886 Canada Inc. and 8384878 Canada Inc. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

In addition to transactions between the parent and subsidiaries, the Company has entered into certain transactions and agreements with certain other related parties. Transactions with these parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, having normal trade terms. Related party transactions are reviewed by the Company's Audit and Governance Committee, which is comprised entirely of independent directors.

The Company sold advertising to companies controlled by the President and Chief Executive Officer ("CEO") and other directors during the reporting period. Included in revenue was $1.1 million (2015 - $0.6 million) for services provided. During the year ended December 31, 2016, the Company entered into a ten-year lease agreement, having normal trade terms, to provide office space to a company controlled by the CEO. The Company provided office space, information technology support and had cost recoveries from companies controlled by the CEO during the year. Included in the consolidated income statements was $0.4 million (2015 - $0.2 million) for services provided. Included in receivables as at December 31, 2016 was $0.1 million (2015 - $0.1 million) for services provided to related parties.

The Company purchased goods and services from companies controlled by the CEO and other directors during the year. Included in operating expenses was $0.4 million (2015 - $0.3 million) related to goods and services purchased during the year. Included in accounts payable and accrued liabilities as at December 31, 2016 was less than $0.1 million (2015 - less than $0.1 million) for goods and services purchased.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's CEO and the Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and 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, 2016, the CEO and CFO, based on their evaluation, concluded that DC&P were properly designed and were operating effectively.

Internal Controls over Financial Reporting
The Company's CEO and CFO have designed, or caused to be designed under their supervision, Internal Controls over Financial Reporting ("ICFR") to 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, 2016, the CEO and 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 *The 2013 COSO 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, 2016. Based on this evaluation, the CEO and CFO concluded that the Company's ICFR are operating effectively and provides 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 2016, there were no changes in ICFR that are likely to have, or had, a material effect on the Company's ICFR.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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 CRTC. 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, CSI and Connect based on rates set by the Copyright Board of Canada.

The Collectives can apply at any time to the Copyright Board of Canada 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.

CRTC licence fees and copyright fees, combined, were approximately 6.9% of revenue in 2016 and are expected to be approximately 6.3% of revenue in 2017. Fees vary as there are certain exemptions for low use and low revenue stations. In 2014, a Copyright Board of Canada hearing was held 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 Connect (2012-2017). The Copyright Committee of the CAB disputed the reproduction tariffs, CSI and Connect, as unfair.

On April 23, 2016, the Copyright Board of Canada released its Commercial Radio Tariff Decision. The impact of the decision was positive for the Company as a result of reductions to rates related to CSI and Connect. The decision resulted in reduced tariffs retroactive to 2012. As a result of this refund received, the Company has recorded a reduction in operating expenses of $1.5 million related to fees paid in previous years. Subsequent to the Copyright Board's decision, the Collectives and CAB both filed for judicial review; however, in December 2016, they reached a settlement. As a result of the settlement, CSI and Connect fees were reduced by 22% from the start of the retroactive period through December 31, 2016 and $33^{1/3}$% effective January 1, 2017.

On June 15, 2016, the CRTC announced its funding decision following the policy framework review for local and community television. The impact of this decision is the eventual disbanding of the Small Market Local Programming Fund ("SMLPF"), which will be replaced by the Independent Local News Fund ("ILNF"), funded by both cable and direct-to-home television providers effective September 1, 2017. The purpose of the new ILNF is to support the creation of locally reflective news and information by private independent television stations. The new funding criteria is set out in Broadcasting Regulatory Policy CRTC 2016-224. Effective September 1, 2016, certain stations have been removed from the SMLPF and their funding has been redistributed among other current recipients. Effective September 1, 2017 additional stations will be added to the list of ILNF recipients. Without this additional funding, the Company had expected to lose money on its television operations, raising uncertainty regarding their future; however, this new funding is expected to be sufficient to allow the Company to continue operating its television stations for the foreseeable future.

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 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 highly localized service offering to its audience.

Cyber Security

The day-to-day operations of the Company are highly dependent on information technology systems and internal business processes. An inability to operate or enhance information technology systems could have an adverse impact on the Company's ability to broadcast advertisements and radio programming as planned, produce accurate and timely invoices, manage operating expenses and produce accurate and timely financial reports. Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems or processes will not have an adverse effect on the Company's operating results.

In addition, the Company's information technology systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. Should a cyber-attack be successful and a breach of sensitive information occur or its systems and services be disrupted, the Company's financial position, brands, and/or ability to achieve its strategic objectives may be negatively affected. While the Company has taken steps to reduce these risks, there can be no assurance that future cyber threats, if to occur, will not have an adverse effect on the Company's operating results.

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. Recently, radio advertising in Canada has declined compared to previous years. 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, outdoor, direct mail, online services and 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 is focused on mitigating any loss to other media by creating long-term relationships with customers and providing innovative, high-quality marketing campaigns. Over the past number of years, Radio's percentage share of advertising dollars has remained relatively constant with the increase of online advertising coming from the decline in print advertising. Recent trending in the radio industry has seen modest revenue declines of 2% in 2014, 1% in 2015 and 3% in 2016.

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. Expected future cash flows are discounted by the Company to assess the value-in use (or fair value) of its broadcast licences and goodwill. Discount rates used are influenced by assumptions, based on prevailing economic conditions. 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 statements.

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 income 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 statements of financial position and provision for income tax expense in the consolidated income statements. Any cash payment or receipts arising from tax audits could have a material impact on the Company's cash flows 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 to assist with 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 of operations.

OUTLOOK

The Company achieved record results in 2016, despite a challenging economic environment and overall revenue declines experienced by the Canadian radio industry. The Company's success was a result of refocusing certain spending on talented programming and sales personnel and promoting its stations, which resulted in strong ratings and revenue growth while maintaining cost control.

In 2017, the Company will continue to focus on providing engaging content to our listeners while operating efficiently, in an effort to maintain consistent EBITDA margins. The Company expects the Canadian radio industry to face another difficult year, particularly in Alberta where economic challenges persist. Listener ratings have positioned the Company well for continued strong performance in certain major markets, including Toronto where the Company expects continued revenue growth as a result of maintaining a top ranked station.

The Company will continue to invest in marketing and research to promote all of its stations and improve ratings. In 2017, the Company will concentrate on improving results at certain stations in the highly competitive markets of Edmonton and Halifax where ratings have not met expectations. The Company also continues to seek out acquisitions which will provide a healthy return on investment for its shareholders.

The Company's continued success is made possible by the efforts and commitment of our talented employees, who are passionate about radio and work hard every day to develop and maintain relationships 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 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)		**2016**	2015	**2016**	2015
Profit [1]	***$***	***10,375***	*7,916*	***30,984***	*22,891*
Provision for income taxes [1]		***3,926***	*3,518*	***11,756***	*10,831*
Other (income) expense		***35***	*247*	***(889)***	*571*
Interest expense		***1,140***	*1,340*	***4,766***	*6,382*
Depreciation and amortization		***1,160***	*1,348*	***4,864***	*4,868*
Accretion of other liabilities		***60***	*87*	***310***	*425*
EBITDA	***$***	***16,696***	*14,456*	***51,791***	*45,968*

[1] Provision for income taxes and profit for the fourth quarter and twelve months ended December 31, 2015 have been restated as a result of the retrospective application of a change in accounting policy related to the measurement of deferred income taxes on indefinite life intangible assets. For further details, refer to note 3 to the annual financial statements for the year ended December 31, 2016.

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.

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, 2016, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer and Corporate Secretary ("CFO") 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, 2016, the CEO and CFO 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. Upon recommendation from the Audit and Governance Committee, the Board approves the consolidated financial statements for issuance to the Company's shareholders. The Audit and Governance 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. Their opinion is presented hereafter.

March 9, 2017

"signed" Robert G. Steele
Robert G. Steele
President and Chief Executive Officer

"signed" Scott G.M. Weatherby
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 financial statements of **Newfoundland Capital Corporation Limited**, which comprise the consolidated statements of financial position as at December 31, 2016, 2015 and 2014, and the consolidated income statements, statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the years ended December 31, 2016 and 2015, 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 audits 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, 2016, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Halifax, Canada
March 9, 2017

"signed" Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Newfoundland Capital Corporation Limited-
Consolidated Statements of Financial Position — As at December 31

(thousands of Canadian dollars)	*Notes*		**2016**	**2015**	**2014**
				restated *(note 3)*	restated *(note 3)*
Assets					
Current assets					
Marketable securities	*14(a)*	$	**-**	829	1,532
Receivables	*14*		**41,846**	38,960	35,615
Prepaid expenses			**1,647**	1,494	1,186
Total current assets			**43,493**	41,283	38,333
Non-current assets					
Property and equipment	*6*		**44,291**	43,098	38,342
Other assets	*7, 11*		**1,889**	1,580	1,583
Broadcast licences	*8*		**262,064**	262,029	262,029
Goodwill	*8*		**19,055**	19,055	19,055
Deferred income tax assets	*15*		**1,871**	2,236	2,370
Total non-current assets			**329,170**	327,998	323,379
Total assets	*9*	$	**372,663**	369,281	361,712
Liabilities and Shareholders' Equity					
Current liabilities					
Bank indebtedness	*9, 14*	$	**1,986**	1,748	1,125
Accounts payable and accrued liabilities	*10*		**22,092**	20,747	21,817
Dividends payable	*13*		**2,557**	-	2,534
Income taxes payable	*15*		**2,078**	1,840	4,165
Current portion of long-term debt	*9*		**11,250**	11,250	11,250
Total current liabilities			**39,963**	35,585	40,891
Non-current liabilities					
Long-term debt	*9*		**118,205**	134,658	127,275
Other liabilities	*10, 11 & 14(b)*		**13,240**	14,833	17,078
Deferred income tax liabilities	*15*		**50,100**	48,031	45,412
Total non-current liabilities			**181,545**	197,522	189,765
Total liabilities			**221,508**	233,107	230,656
Shareholders' equity	*13*		**151,155**	136,174	131,056
Total liabilities and shareholders' equity		$	**372,663**	369,281	361,712

Commitments and contingencies (note 18)

See accompanying notes to the consolidated financial statements

On behalf of the Board

"signed" H.R. Steele
H.R. Steele
Director

"signed" D.I. Matheson
D.I. Matheson
Director

Newfoundland Capital Corporation Limited
Consolidated Income Statements — For the years ended December 31

(thousands of Canadian dollars, except per share data)	*Notes*		**2016**	**2015** restated *(note 3)*
Revenue		$	**169,531**	164,602
Operating expenses			**(117,740)**	(118,634)
Depreciation and amortization	*6*		**(4,864)**	(4,868)
Accretion of other liabilities	*10*		**(310)**	(425)
Interest expense	*9*		**(4,766)**	(6,382)
Other income (expense)	*14(a)*		**889**	(571)
Profit before provision for income taxes			**42,740**	33,722
Provision for income taxes	*15*			
Current			**(9,379)**	(8,083)
Deferred			**(2,377)**	(2,748)
			(11,756)	(10,831)
Profit		$	**30,984**	22,891
Earnings per share	*16*			
- Basic		$	**1.19**	0.84
- Diluted			**1.14**	0.80
Weighted average number of shares outstanding *(thousands)*	*16*			
- Basic			**26,079**	27,355
- Diluted			**27,284**	28,628

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*		2016	2015 restated *(note 3)*
Profit		$	**30,984**	22,891
Other comprehensive income (loss)				
Cash flow hedges:				
Net movement on interest rate swap	*14(b)*		**(180)**	(113)
Income tax recovery	*15*		**53**	32
Amounts reclassified to profit			**(127)**	(81)
Defined benefit plan actuarial gains	*11*		**353**	119
Income tax expense	*15*		**(110)**	(37)
Amounts that will not be reclassified to profit			**243**	82
Other comprehensive income			**116**	1
Comprehensive income		$	**31,100**	22,892

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	Accumulated other comprehensive loss	Retained earnings (note 13)	Total shareholders' equity
Balance as at January 1, 2016 as previously stated	$	34,488	2,483	(143)	109,163	145,991
Retrospective change in accounting policy (*note 3)*		-	-	-	(9,817)	(9,817)
Balance as at January 1, 2016 restated		34,488	2,483	(143)	99,346	136,174
Profit		-	-	-	30,984	30,984
Other comprehensive income		-	-	116	-	116
Total comprehensive income		-	-	116	30,984	31,100
Dividends declared					(5,123)	(5,123)
Repurchase of share capital		(1,707)	-	-	(9,374)	(11,081)
Exercise of executive stock options		242	(242)	-	-	-
Executive stock option compensation expense		-	85	-	-	85
Balance as at December 31, 2016	**$**	**33,023**	**2,326**	**(27)**	**115,833**	**151,155**

See accompanying notes to the consolidated financial statements

(thousands of Canadian dollars)		Issued share capital (note 13)	Contributed surplus	Accumulated other comprehensive loss	Retained earnings (note 13)	Total shareholders' equity
Balance as at January 1, 2015 as previously stated	$	36,596	2,602	(144)	101,475	140,529
Retrospective change in accounting policy *(note 3)*		-	-	-	(9,473)	(9,473)
Balance as at January 1, 2015 restated		36,596	2,602	(144)	92,002	131,056
Profit - restated *(note 3)*		-	-	-	22,891	22,891
Other comprehensive income		-	-	1	-	1
Total comprehensive income		-	-	1	22,891	22,892
Dividends declared		-	-	-	(3,993)	(3,993)
Repurchase of share capital		(2,306)	-	-	(11,554)	(13,860)
Exercise of executive stock options		198	(198)	-	-	-
Executive stock option compensation expense		-	79	-	-	79
Balance as at December 31, 2015 - restated *(note 3)*	**$**	**34,488**	**2,483**	**(143)**	**99,346**	**136,174**

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*		**2016**	**2015**
				(note 3)
Operating activities				
Profit before provision for income taxes		$	**42,740**	33,722
Items not involving cash				
Depreciation, amortization and accretion of other liabilities			**5,174**	5,293
Share-based compensation expense	*12*		**85**	79
Realized and unrealized (gains) losses on marketable securities	*14(a)*		**(834)**	598
Interest expense			**4,766**	6,382
Other			**(635)**	826
			51,296	46,900
Net change in non-cash working capital balances related to operations	*17*		**(64)**	(4,809)
Cash generated from operations			**51,232**	42,091
Interest paid			**(5,262)**	(6,122)
Income taxes paid			**(9,140)**	(10,436)
Net cash flows from operating activities			**36,830**	25,533
Financing activities				
Change in bank indebtedness			**238**	623
Long-term borrowings			**10,500**	18,500
Long-term debt repayments			**(27,250)**	(11,250)
Dividends paid	*13*		**(2,566)**	(6,527)
Repurchase of share capital	*13*		**(11,081)**	(13,860)
Other			**-**	(198)
Net cash flows used in financing activities			**(30,159)**	(12,712)
Investing activities				
Property and equipment additions	*6*		**(5,978)**	(9,712)
Canadian Content Development commitment payments			**(2,394)**	(2,753)
Proceeds from disposal of marketable securities			**1,663**	105
Other			**38**	(461)
Net cash flows used in investing activities			**(6,671)**	(12,821)
Cash, beginning and end of year		$	**-**	-

See accompanying notes to the consolidated financial statements

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the "Company") is incorporated under the *Canada Business Corporations Act*. The address of the Company's registered office of business is 8 Basinview Drive, Dartmouth, Nova Scotia, B3B 1G4. The Company's primary activity is radio broadcasting. These consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The Company's revenue is derived primarily from the sale of advertising airtime.

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 9, 2017.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the IFRS Interpretations Committee ("IFRIC") interpretations issued and effective or issued and early adopted as of the date of these consolidated financial 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 consolidated 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 defined benefit pension liability, which is recognized as the net total of the plan assets and the present value of the defined benefit obligation.

3. CHANGE IN ACCOUNTING POLICY AND RETROSPECTIVE RESTATEMENT

In November 2016, IFRIC published a summary of its meeting discussion regarding the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with International Accounting Standard ("IAS") 12, *Income Taxes*. The IFRIC noted that an intangible asset with an indefinite useful life is not a non-depreciable asset. This is because a non-depreciable asset has an unlimited (infinite) life, and that indefinite does not mean infinite. Consequently, the fact that an entity does not amortize an intangible asset with an indefinite useful life does not necessarily mean that the entity will recover the carrying amount of that asset only through sale, and not through use. Prior to this meeting, the Company's accounting policy for deferred income taxes assumed that its intangible assets with indefinite lives (broadcast licences) would be recovered through sale. As such, the Company was required to retrospectively change its accounting policy for the accounting of deferred income tax on intangible assets with indefinite useful lives to be determined on the basis of the full difference between the carrying amount and the tax base of these assets, assuming in accordance with the IFRIC recommendations that the intangible assets will be recovered through use unless there is a specific plan to sell these assets.

3. Change in Accounting Policy and Retrospective Restatement *(continued)*

The following table summarizes the impact of this change of accounting policy on the previously reported consolidated statements of financial position.

Increase (decrease) to previously reported amounts

(thousands of Canadian dollars)		2015	2014
Goodwill	$	7,041	7,041
Deferred income tax assets		(2,006)	(2,006)
Deferred income tax liabilities		14,852	14,508
Retained earnings (1)		(9,817)	(9,473)

(1) Included in shareholders' equity

The impact of this change of accounting policy on the consolidated income statements was an increase in provision for income taxes – deferred of $105,000 for the year ended December 31, 2016 (2015 - $344,000). This change resulted in a decrease of less than $0.01 in basic and diluted earnings per share in 2016 and a decrease of previously reported basic and diluted earnings per share of $0.01 for the year ended December 31, 2015. The change in accounting policy did not have an impact on the current or previously reported consolidated statements of cash flows.

4. 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ 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 and identifying cash-generating units ("CGUs") based on whether or not there exists interdependency of customers and revenue between radio stations.

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell ("FVLCS") and its value-in-use ("VIU"). The FVLCS 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 VIU 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 8.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (*continued*)

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, 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, considers 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 further explained in note 11.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements 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 consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

Income taxes

Deferred income tax assets and liabilities are measured using the substantively enacted tax rates and laws that 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 income 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 income tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

5. 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 the following subsidiaries, all of which have a principal place of business in Canada:

Company	Principal activity
Newcap Inc.	Radio broadcasting
Glynmill Inn Inc.	Hotel operation
8504580 Canada Inc.	Radio broadcasting
8384827 Canada Inc.	Radio broadcasting
8384860 Canada Inc.	Radio broadcasting
8384886 Canada Inc.	Radio broadcasting
8384878 Canada Inc.	Radio broadcasting

5. Summary of Significant Accounting Policies *(continued)*

These subsidiaries are controlled by the Company and are wholly owned. 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. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Cash
The Company's cash is comprised of deposits in banks. The Company nets its cash with bank indebtedness.

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 *other income (expense)*. 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 consolidated income statements.

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 as of October 31, 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 (CGUs). 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 assets or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management considers the higher of FVLCS and VIU. For VIU, management estimates expected future cash flows from each asset or CGU 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment testing of goodwill, other intangible assets and property and equipment *(continued)*
Discount factors are determined individually for each asset or CGU and reflect their respective risk profiles as assessed by management.

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's or CGU's recoverable amount exceeds its carrying amount. Any reversal of impairment is limited to the carrying amount that would have been determined, net of depreciation and amortization, before impairment.

Property and equipment
Property and equipment is carried at cost, net of accumulated depreciation and amortization, 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 assets 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 is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized in profit or loss within *other income (expense)*.

Depreciation and amortization is recognized on a straight-line basis over the estimated useful life 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 structures	60 years
Major building components	20–30 years
Computer hardware, software and peripherals	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 and amortization are reviewed at each financial year-end and adjusted prospectively.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 a reduction in 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 consolidated income statements. 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 consolidated statements of financial position 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 provision will be affected in the period in which the final outcome is determined.

Deferred income taxes

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The deferred tax assets and liabilities related to intangible assets with indefinite useful lives have been measured based on the Company's expectation that these temporary differences will be reversed through use. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income 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 income tax assets are recognized for all deductible temporary differences, carryforward 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 carryforward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred income 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 income 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred income taxes *(continued)*
The carrying amount of deferred income 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 income tax asset to be utilized. Unrecognized deferred income 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 income tax asset to be recovered.

Deferred income 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 income 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 ("OCI") or directly in equity. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Reportable 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 as well as office space rental and related services revenue.

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 as well as office space rental and related services revenue is recognized as services are 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 ("FVTPL"), 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 statements 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 FVTPL financial assets and financial liabilities are recognized in profit or loss in the period in which they are incurred. Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method ("EIM").

The Company's financial instruments have been classified as either financial assets or financial liabilities at 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
Marketable securities	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Interest rate swap payable	FVTPL	Fair value
Long-term debt	Other liabilities	Amortized cost
Other liabilities	Other liabilities	Amortized cost

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Marketable securities are held for trading which is why they are classified as FVTPL. Financial instruments classified as FVTPL are measured at fair value with unrealized gains and losses recorded immediately in profit or loss. The fair value of marketable securities is based on the quoted share prices in active markets. Additional information is contained in note 14(a).

Loans, receivables and other liabilities

Loans, receivables and other liabilities are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Financial instruments classified as loans and receivables and other liabilities are measured at amortized cost using the 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 discounts estimated future cash receipts or payments throughout the expected life of the financial instrument to the fair value at initial recognition.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 consolidated statements of financial position 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 instrument's 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 the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Hedges

The Company has a derivative financial instrument designated as a cash flow hedge that is recorded on the consolidated statements of financial position at fair value. The Company has designated the interest rate swap as a hedging instrument in a cash flow hedge relationship. The Company entered into the interest rate swap 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.

The derivative financial instrument used for hedge accounting is recognized initially at fair value and reported subsequently at fair value in the consolidated statements of financial position. To the extent that the hedge is effective, changes in the fair value of the derivative designated as a hedging instrument in a cash flow hedge is recognized in OCI 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 OCI is reclassified to the consolidated income statements and presented as a reclassification adjustment within OCI.

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 consolidated income statements. 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 OCI remains in OCI 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Defined contribution pension plan

The Company matches employee contributions under the defined contribution pension plan. Under 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 pension 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 OCI. Actuarial gains and losses are not reclassified to the consolidated income statements in subsequent periods.

Past service costs are recognized 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 Right Plan ("SARS"), a form of stock-based compensation. Compensation expense is accrued with a corresponding increase in liabilities in an amount that 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 remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in the consolidated income statements. 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 the 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 consolidated income statements on a straight-line basis over the lease term.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New and future accounting standards

The following are the accounting standards adopted by the Company in 2016 and future accounting standards not yet effective.

Adoption of new accounting standards

IAS 19, "Employee Benefits" ("IAS 19") – Discount rate: regional market issue

On January 1, 2016, the Company adopted the amendment to IAS 19, which clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

The adoption of this updated accounting standard did not result in a material impact to the consolidated financial statements.

Future accounting standards

IFRS 9, "Financial Instruments" ("IFRS 9")

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for the annual period beginning January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Management is assessing the impact the adoption of IFRS 9 will have on the classification and measurement of the Company's financial assets and financial liabilities.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which was subsequently amended in September 2015 and April 2016. The standard applies to all revenue contracts and provides a five-step model for the recognition and measurement of revenue earned from a contract with a customer. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of certain non-financial assets that are not an output of the entity's ordinary activities. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period beginning January 1, 2018. The Company has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The Company does not expect IFRS 15 to have a material impact as a majority of the Company's contracts provide for distinct advertising services to be provided to a single customer. The Company continues to evaluate the impact that this standard may have on certain types of contracts, including large-volume contracts with groups of advertisers.

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which addresses the recognition, measurement, presentation, and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. With the approach of IFRS 16, lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors therefore continue to classify leases as operating or finance. The standard is effective for the annual period beginning January 1, 2019. The Company is assessing the impact this new standard will have on its consolidated financial statements.

IFRS 2, "Share-based Payment" ("IFRS 2")

In June 2016, the IASB issued three amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions, which are intended to eliminate diversity in the application of this standard. The effective date of the amendments is January 1, 2018. Entities are required to apply these amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company is assessing the impact these amendments will have on its consolidated financial statements.

6. PROPERTY AND EQUIPMENT

The table below reconciles the activity in cost and accumulated depreciation and amortization of property and equipment.

(thousands of Canadian dollars)		Land	Building structures	Major building components	Radio equipment and digital automation	Towers and transmitters	Computer hardware, software and peripherals	Furniture, fixtures and office equipment	Leasehold improvements	Vehicles	Total
Cost											
Balance as at December 31, 2014	$	2,322	3,700	4,891	18,925	29,542	6,068	6,588	9,067	1,139	**82,242**
Additions		-	946	616	2,253	2,304	634	400	2,469	122	**9,744**
Disposals		(60)	-	(62)	(769)	(18)	(2)	-	-	(59)	**(970)**
Balance as at December 31, 2015		2,262	4,646	5,445	20,409	31,828	6,700	6,988	11,536	1,202	**91,016**
Additions		3,136	-	297	566	654	904	268	229	58	**6,112**
Reclassifications		-	(40)	40	-	-	-	-	-	-	**-**
Disposals		-	-	(2)	(4,965)	(2,691)	(3,326)	(1,639)	(761)	(247)	**(13,631)**
Balance as at December 31, 2016	**$**	**5,398**	**4,606**	**5,780**	**16,010**	**29,791**	**4,278**	**5,617**	**11,004**	**1,013**	**83,497**
Accumulated Depreciation and Amortization											
Balance as at December 31, 2014	$	-	(518)	(2,438)	(12,694)	(12,576)	(5,014)	(4,928)	(5,042)	(690)	**(43,900)**
Depreciation and amortization for the year		-	(52)	(201)	(1,274)	(1,451)	(537)	(347)	(829)	(177)	**(4,868)**
Disposals		-	-	58	746	10	1	-	-	35	**850**
Balance as at December 31, 2015		-	(570)	(2,581)	(13,222)	(14,017)	(5,550)	(5,275)	(5,871)	(832)	**(47,918)**
Depreciation and amortization for the year		-	(62)	(227)	(1,156)	(1,704)	(502)	(323)	(743)	(147)	**(4,864)**
Disposals		-	-	2	4,954	2,697	3,316	1,627	761	219	**13,576**
Balance as at December 31, 2016	**$**	**-**	**(632)**	**(2,806)**	**(9,424)**	**(13,024)**	**(2,736)**	**(3,971)**	**(5,853)**	**(760)**	**(39,206)**
Net Book Value											
As at December 31, 2015	$	2,262	4,076	2,864	7,187	17,811	1,150	1,713	5,665	370	**43,098**
As at December 31, 2016		**5,398**	**3,974**	**2,974**	**6,586**	**16,767**	**1,542**	**1,646**	**5,151**	**253**	**44,291**

7. Other Assets

(thousands of Canadian dollars)		**2016**	**2015**
Accrued pension benefit asset *(note 11)*	$	**1,173**	825
Other		**716**	755
	$	**1,889**	1,580

8. Goodwill, Broadcast Licences and Other Intangible Assets

Goodwill and broadcast licences are tested for impairment annually on October 31 and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill and broadcast licences having indefinite useful lives was based on VIU calculations as of the fiscal years ended December 31, 2016 and 2015. A discounted cash flow model is used to determine the Company's VIU. 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, 2016 and 2015.

(thousands of Canadian dollars)		**Goodwill**	**Broadcast licences**
		restated *(note 3)*	
Cost			
Balance as at December 31, 2014 and 2015	$	23,511	272,379
Additions		—	35
Balance as at December 31, 2016		**23,511**	**272,414**
Accumulated Impairment			
Balance as at December 31, 2014, 2015 and 2016	**$**	**(4,456)**	**(10,350)**
Net Book Value			
As at December 31, 2014	$	19,055	262,029
As at December 31, 2015		19,055	262,029
As at December 31, 2016		**19,055**	**262,064**

Additions

The 2016 additions to broadcast licences were a result of the launch of an FM radio station in Newfoundland and Labrador.

Impairment charges

In 2016 and 2015, there were no impairment charges and no reversals of any prior year impairment charges.

Annual impairment assessments

For the purposes of assessing impairment, broadcast licences are grouped at the CGU level, which is the lowest level for which there are largely independent cash inflows. For broadcast licence impairment testing purposes, the Company has identified 22 CGUs, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals are included as a separate line on the consolidated income statements.

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.

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

Cash-generating units

The carrying amounts of goodwill and broadcast licences allocated to each CGU and/or group of CGUs are set out in the following tables:

(thousands of Canadian dollars)		**2016**	2015	2014
Goodwill - restated *(note 3)*				
Toronto	$	**11,215**	11,215	11,215
Vancouver		**3,291**	3,291	3,291
All other CGUs [(1)]		**4,549**	4,549	4,549
	$	**19,055**	19,055	19,055
Broadcast licences				
Toronto	$	**78,266**	78,266	78,266
Vancouver		**30,860**	30,860	30,860
Edmonton		**29,278**	29,278	29,278
All other CGUs [(1)]		**123,660**	123,625	123,625
	$	**262,064**	262,029	262,029

[(1)] *The carrying values of goodwill and broadcast licences in all other CGUs are less than 10% of the total carrying values of goodwill and broadcast licences and are therefore grouped together for the purpose of note disclosure.*

Recoverable amounts

The recoverable amounts of the CGUs have been determined based on a VIU 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 on 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 9.9% to 11.2% as at October 31, 2016 and from 10.0% to 10.7% as at October 31, 2015. Cash flow projections are extended beyond the five-year budget period because broadcast licences and goodwill are indefinite life assets.

Key assumptions used in VIU calculations

The calculations of VIU for the CGUs are most sensitive to the following assumptions:

- Discount rates;
- Growth rates and market share during the budget period; and
- Growth rates 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 five years of operations). Management assesses how the CGU's market position, relative to its competitors, might change over the budget period. For most CGUs, the average growth rates used in the five-year budget period ranged between 1% and 10%. For certain recently acquired stations, those in start-up mode, and others where improvement initiatives are planned or in progress, the growth rates were as high as 25% in initial years.

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

Key assumptions used in VIU calculations *(continued)*

Long-term growth rate estimates – Cash flows beyond the five-year period were extrapolated using a 2% growth rate, which is based upon historical inflation rates. Management expects the Company's share of the market to be stable over the long-term budget period.

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 VIU 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.

A quantitative sensitivity analysis of the significant assumptions for the impairment test is presented below, showing the impact of a 50 basis point change in each of the assumptions listed:

Assumption Change *(thousands of Canadian dollars)*		**Goodwill Impairment Charge**	**Broadcast Licence Impairment Charge**	**Total Impairment Charge**
Increase in pre-tax discount rate	$	900	700	1,600
Decrease in growth rate during five-year budget period		100	400	500
Decrease in terminal growth rate		1,300	1,000	2,300

9. BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of Canadian dollars)		**2016**	2015
Revolving term credit facility of $90 million, renewable, expires in May 2018	**$**	**68,000**	73,500
Non-revolving term credit facility of $90 million, repayable in quarterly instalments, expires in May 2018		**61,875**	73,125
		129,875	146,625
Less: Current portion of non-revolving credit facility		**(11,250)**	(11,250)
Less: Debt transaction costs, net of accumulated amortization of $979 (2015 - $682)		**(420)**	(717)
	$	**118,205**	134,658

The $90,000,000 revolving term credit facility has no set terms of repayment. The undrawn amount, net of bank indebtedness is $20,014,000. This amount may be used to fund future operations, capital requirements and investing activities, subject to the debt covenants, which are disclosed in note 14. The $90,000,000 non-revolving term credit facility was drawn on March 31, 2014 and was used for the acquisition of the Company's Toronto and Vancouver operations. The facility is being amortized over eight years and is repayable in quarterly instalments of $2,812,500.

In May 2015, the Company amended the credit facilities to extend the maturity date to May 31, 2018, to reduce interest rates by approximately 0.5% and to change certain covenants.

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 has in place an interest rate swap agreement (see note 14(b)) for a portion of its debt that fixes the floating bankers' acceptance rates. Interest on long-term debt during the year was $4,644,000 (2015 - $6,139,000).

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)		**2016**	2015
CCD commitments, net of current portion of $1,698 (2015 - $2,313) included in accounts payable and accrued liabilities	$	**4,053**	5,477
Accrued pension benefit liability *(note 11)*		**6,977**	7,146
Deferred tenant inducements		**1,185**	1,371
Other long term liabilities		**1,025**	-
Interest rate swap payable, net of current portion of $268 (2015 - $52) included in accounts payable and accrued liabilities *(note 14(b))*		**-**	839
	$	**13,240**	14,833

CCD commitments are measured based on the amortized cost using the EIM which gives rise to accretion expense which amounted to $310,000 (2015 - $425,000). The EIM rates used to determine the value of CCD commitments ranged from 3.9% to 8.0%. The discounted CCD commitments are due as follows: 2017 - $1,698,000; 2018 - $1,241,000; 2019 - $1,178,000; and 2020 - $1,634,000. The undiscounted amount payable for CCD commitments is $6,237,000 of which $1,856,000 is current (2015 - $8,509,000, of which $2,551,000 was current).

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

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 pension plan are based on percentages of gross salaries and totaled $1,842,000 (2015 - $1,848,000).

Defined benefit pension plans

The Company maintains a defined benefit pension plan (the "Basic Plan") for a small group of the Company's current and former employees, which is not accepting new entrants at this time. The Basic Plan provides pension benefits based on the length of service and the last five years of average earnings of each member.

The Basic Plan meets the definition of a designated plan under the *Income Tax Act* (Canada). The most recent funding actuarial valuation for the Basic Plan was December 31, 2014.

In addition, the Company has two individual Supplementary Retirement Pension Arrangements ("SRPAs"), which each provide pension benefits to a retired executive. These SRPAs provide benefits above the *Income Tax Act* (Canada) limit. These plans are not funded and are paid from the Company's operations.

11. EMPLOYEE BENEFIT PLANS *(continued)*

The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of December 31 of each year. The obligation as at December 31, 2016 and the 2017 current service cost of the Plans are determined based on membership data as at December 31, 2016.

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

(thousands of Canadian dollars)		**2016**	2015
Consolidated statements of financial position			
Accrued pension benefit liability, included in other liabilities *(note 10)*	$	**(6,977)**	(7,146)
Accrued pension benefit asset *(note 7)*		**1,173**	825
Net accrued pension liability	$	**(5,804)**	(6,321)
Consolidated income statements			
Pension benefit expense, included in operating expenses	$	**369**	372
Other comprehensive gains and accumulated other comprehensive losses			
Actuarial gains recognized in other comprehensive income	$	**(353)**	(119)
Cumulative actuarial losses recognized in other comprehensive income		**38**	391

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

		2016		2015	
(thousands of Canadian dollars)		**Basic Plan**	**SRPAs**	Basic Plan	SRPAs
Accrued benefit obligations					
Balance, beginning of year	$	**5,721**	**7,146**	5,783	7,638
Current service cost		**113**	**-**	114	-
Interest cost		**213**	**244**	218	265
Benefits paid		**(178)**	**(533)**	(179)	(529)
Actuarial losses (gains):					
Impact of changes in demographic assumptions		**-**	**-**	(98)	(138)
Impact of changes in financial assumptions		**138**	**151**	(69)	(46)
Impact of changes in experience adjustments		**145**	**(31)**	(48)	(44)
Balance, end of year	$	**6,152**	**6,977**	5,721	7,146
Plan assets					
Fair value, beginning of year	$	**6,546**	**-**	7,046	-
Interest income		**238**	**-**	262	-
Actuarial losses (gains):					
Return on plan assets, excluding interest income		**756**	**-**	(324)	-
Administrative expenses		**(40)**	**-**	(40)	-
Employer refunds		**-**	**-**	(222)	-
Employee contributions		**3**	**-**	3	-
Benefits paid		**(178)**	**-**	(179)	-
Fair value, end of year		**7,325**	**-**	6,546	-
	$	**1,173**	**(6,977)**	825	(7,146)

11. EMPLOYEE BENEFIT PLANS *(continued)*

Defined benefit pension plans *(continued)*
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.

As a result of a revised valuation report as at December 31, 2012 that limits the amount of eligible contributions that can be made into the Basic Plan, a refund of employer contributions of $333,000 was reflected as at December 31, 2015. Employer contributions to the SRPAs are estimated to be $519,000 in 2017.

Pension benefit expense recognized in the consolidated income statements as operating expenses is as follows:

	2016		2015	
(thousands of Canadian dollars)	**Basic Plan**	**SRPAs**	Basic Plan	SRPAs
Current service cost, net of employee contributions	**$ 110**	**-**	111	-
Interest cost	**213**	**244**	218	265
Interest income on plan assets	**(238)**	**-**	(262)	-
Administrative expenses	**40**	**-**	40	-
Defined benefit plan expense	**$ 125**	**244**	107	265

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

	2016			2015		
(thousands of Canadian dollars)	**Basic Plan**	**SRPAs**	**Total**	Basic Plan	SRPAs	Total
Cumulative actuarial losses (gains), beginning of year	**$ (30)**	**421**	**391**	(139)	649	510
Recognized actuarial (gains) losses during the year	**(473)**	**120**	**(353)**	109	(228)	(119)
Cumulative actuarial losses (gains), end of year	**$ (503)**	**541**	**38**	(30)	421	391

The principal actuarial assumptions were as follows:

	2016		2015	
	Basic Plan	**SRPAs**	Basic Plan	SRPAs
Discount rate for the accrued net benefit obligation	**3.6%**	**3.6%**	3.7%	3.7%
Future pension increases	**1.8%**	**0.4%**	1.5%	0.1%
Future compensation increases for the accrued benefit obligation	**3.0%**	**3.0%**	3.0%	3.0%

11. EMPLOYEE BENEFIT PLANS *(continued)*

Defined benefit pension plans *(continued)*
As at December 31, 2016 and based on an actuarial review, the net remeasurement gain recorded in other comprehensive income of $353,000 was reflective of a gain on plan assets, partially offset by a decrease in estimated discount rate, increase in the inflation assumption and update in the membership data for all plans.

Plan assets for the Basic Plan consist of:

	2016	2015
Equity funds	**63%**	62%
Fixed income funds	**37%**	35%
Money market funds	**0%**	3%
	100%	100%

The pension plan has no direct investments in the Company 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. All assets are invested in funds where the underlying securities have quoted market prices in an active market. 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 the 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.

The below changes in assumptions of all plans would have resulted in an increase (decrease) in the net defined benefit obligation as presented below:

	Change in Assumption	
(thousands of Canadian dollars)	**Increase**	**Decrease**
Discount rate - change of 0.5%	**(633)**	**696**
Future pension costs - change of 1.0%	**714**	**(338)**
Life expectancy - change by 1 year	**790**	**(820)**

The sensitivity analysis above has 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 10.7 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 $598,000 (2015 - $624,000) and is included in operating expenses.

12. SHARE-BASED COMPENSATION PLANS *(continued)*

Executive stock option plan

As at December 31, 2016, the number of Class A shares reserved for issuance pursuant to the executive stock option plan was 3,005,018. The number of Class A shares underlying outstanding options under the executive stock option plan was 1,980,000 and 1,025,018 options remained available for granting. 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 20 trading days. The expiry date of the options is established by the Board of Directors. The expiry dates range from January 2017 to August 2022. Options either vest on the date they are granted or vest over time in the following manner: 25% vest on the date of granting and 25% vest on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case shares are issued from treasury based on a formula that takes into account the market value of the Company's Class A shares and the option's strike price.

The following summarizes the Company's outstanding stock options which have a weighted average remaining contractual life of 1.74 years (2015 - 2.51 years).

	2016		2015	
	Number	**Price***	Number	Price*
Balance, beginning of year	**2,272,500**	**$ 4.27**	2,347,500	$ 4.23
Granted	**-**	**-**	100,000	9.69
Exercised	**(292,500)**	**6.92**	(175,000)	6.89
Balance, end of year	**1,980,000**	**3.88**	2,272,500	4.27
Total options vested	**1,930,000**	**$ 3.73**	2,197,500	$ 4.08

** weighted average exercise price*

Range or exercise price	**Number of options outstanding at December 31, 2016**	**Weighted average remaining life**	**Weighted average exercise price**	**Number of options exercisable at December 31, 2016**	**Weighted average exercise price**
$2.43 - 3.89	**1,560,000**	**1.56**	**$ 2.95**	**1,560,000**	**$ 2.95**
5.83 - 7.46	**320,000**	**1.39**	**6.59**	**320,000**	**6.59**
9.69	**100,000**	**5.62**	**9.69**	**50,000**	**9.69**
	1,980,000	**1.74**	**$ 3.88**	**1,930,000**	**$ 3.73**

During the year, the Company's Board of Directors approved a five year extension of the expiry date for 1,850,000 options, subject to approval by the Toronto Stock Exchange. Subsequent to December 31, 2016, the Toronto Stock Exchange approved the extension, conditional upon shareholder approval for 1,675,000 of the extended options at the Company's Annual General Meeting on May 10, 2017. The impact of these extensions is an estimated increase of $550,000 in operating expenses when approved and an increase in the weighted average remaining contractual life from 1.74 years to 6.43 years.

The compensation expense related to stock options was $85,000 (2015 - $79,000) and was recorded in operating expenses.

13. SHARE CAPITAL

	Issued shares		
	(thousands of shares)	*(thousands of Canadian dollars)*	
Balance, January 1, 2015	28,155	$	36,596
Exercise of executive stock options	44		198
Share repurchases	(1,570)		(2,306)
Balance, December 31, 2015	26,629		34,488
Share repurchases	(1,159)		(1,707)
Exercise of executive stock options	100		242
Balance, December 31, 2016	**25,570**	**$**	**33,023**

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

	Issued shares		**2016**	2015
	(thousands of shares)	*(thousands of Canadian dollars)*		
Class A Subordinate Voting shares				
(2015 - 22,860)	21,801	**$**	**32,137**	33,602
Class B Common shares				
(2015 - 3,769)	3,769		**886**	886
	25,570	**$**	**33,023**	34,488

The Company has also authorized an unlimited number of Class A and Class B preferred shares of which none are outstanding as at December 31, 2016 and 2015.

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

The Company may impose restrictions respecting the issuance, transfer and voting of the Company’s shares due to externally imposed regulations more fully described under “Capital risk” in note 14.

Share repurchases
The Company has approval under a Normal Course Issuer Bid (“NCIB”) to repurchase up to 1,145,715 Class A shares and 75,386 Class B shares. This bid expires June 5, 2017. During the year, the Company repurchased 1,158,900 of its Class A shares outstanding for cash consideration of $11,081,000 (2015 - 1,569,800 Class A shares were repurchased for $13,860,000). As a result of the repurchases, capital stock was reduced by $1,707,000 (2015 - $2,306,000) and retained earnings was reduced by $9,374,000 (2015 - $11,554,000. Share repurchases of 34,000 were made under the NCIB that was in effect until May 24, 2016 and share repurchases of 1,124,900 were made under the NCIB currently in effect.

Exercise of stock options
Pursuant to the Company’s executive stock option plan disclosed in note 12, no options were granted in 2016 (2015 - 100,000). During 2016, 292,500 options were exercised using the cashless exercise option resulting in 99,973 shares being issued from treasury. In 2015, 175,000 options were exercised using the cashless exercise option resulting in 44,488 shares being issued from treasury.

13. SHARE CAPITAL *(continued)*

Dividends

During 2016, the Company declared total dividends of $0.20 (2015 - $0.15) per Class A and Class B share. Dividends paid in 2016 totaled $2,566,000 (2015 - $6,527,000). Dividends payable of $2,557,000 as at December 31, 2016 were paid in January 2017. As at December 31, 2015 there were no dividends payable as the dividend declared in December 2015 was paid in that same period.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments

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 three-month Canadian bankers' acceptance rates. The premium to bankers' acceptance rates is based on certain financial ratios and is consistent with market value. The fair values of financial instruments in other liabilities approximate their carrying values as they are recorded at the net present value of their future cash flows, using an appropriate discount rate.

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
Items accounted for as hedges				
Interest rate swap payable	**268**	-	268	-
Other liabilities at amortized cost, with fair values disclosed				
Long-term debt, excluding unamortized credit facility fees	**129,875**	-	129,875	-
Other liabilities	**5,751**	-	5,751	-

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; and
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 offsets its positive cash balances with bank indebtedness in accordance with its mirror-netting agreement with a Canadian chartered bank. Positive cash balances as at December 31, 2016 were equal to $826,000 (2015 - $2,006,000) while negative cash balances were $2,812,000 (2015 - $3,754,000), which resulted in a net negative balance of $1,986,000 (2015 - $1,748,000). The Company does not offset 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.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $42,914,000 as at December 31, 2016 (2015 - $39,839,000), which represented the accounts receivable balance. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,068,000 as at December 31, 2016 (2015 - $879,000). The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 84% 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 during the year approximated $292,000 (2015 - $483,000). 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 and interest rates.

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

As at December 31, 2016 the Company does not hold any marketable securities but did hold marketable securities during the year. Marketable securities 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 only invested a limited amount of funds in marketable securities.

During the year, the Company divested of its marketable securities portfolio and recognized gains in *other income (expense)* of $834,000, which was comprised of $1,292,000 unrealized mark-to-market gains and $458,000 realized losses on disposition. In 2015, losses of $598,000 were recognized, of which $136,000 was realized losses on disposition and $462,000 was unrealized mark-to-market losses.

b) *Interest rate risk management*

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the floating interest rates would have a $336,000 impact on profit for the year.

The Company has in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The 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.

14. Financial Instruments and Financial Risk Management *(continued)*

b) Interest rate risk management (continued)

In 2012, the Company amended the terms of the $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 the extension was $1,375,000 and this was blended into the new fixed rate of interest of the swap.

The swap is ineffective for accounting purposes. This means that the change in fair value of the swap (from the time the swap was deemed ineffective in May 2012) is transferred from OCI to profit.

As at December 31, 2016, the aggregate fair value of the swap agreement was a $268,000 liability, all of which was classified as a current liability (2015 **-** $891,000; $52,000 classified as a current liability).

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 swap by approximately $81,000 which would have flowed through profit because the swap was ineffective for accounting purposes as at December 31, 2016.

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 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, 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**	**2018 - 2021**	**Thereafter**
Long-term debt, excluding debt transaction costs *(note 9)*	$ **11,250**	118,625	-
Bank indebtedness	**1,986**	-	-
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments	**20,236**	-	-
Dividends payable	**2,557**	-	-
Income taxes payable	**2,078**	-	-
CCD commitments, undiscounted *(note 10)*	**1,856**	4,371	10
	$ **39,963**	122,996	10

Assuming long-term debt is renewed in 2018, which is consistent with past practice, the payments would be $45,000,000 for the years 2018 to 2021 and $73,625,000 thereafter.

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.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

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 and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold.

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, 2016.

15. PROVISION FOR INCOME TAXES

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

(thousands of Canadian dollars, except percentages)		**2016**	2015 restated *(note 3)*
Statutory income tax rate		**31%**	31%
Provision for income taxes based on the statutory income tax rate applied to profit before provision for income taxes	**$**	**13,249**	10,446
Increase (decrease) in income taxes due to:			
Subsidiary rate differential		**(1,495)**	(1,353)
Increase in corporate income tax rates		**333**	1,167
Revision to estimate for uncertain tax positions		**(112)**	417
Other		**(219)**	154
	$	**11,756**	10,831
The components of the provision for income taxes are as follows:			
Current	**$**	**9,379**	8,083
Deferred		**2,377**	2,748
	$	**11,756**	10,831

15. PROVISION FOR INCOME TAXES *(continued)*

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

(thousands of Canadian dollars)		**2016**	2015 restated *(note 3)*	2014 restated *(note 3)*
Deferred income tax assets				
Canadian Content Development commitments	**$**	**2,035**	1,894	2,114
Tax loss carryforwards		**1,363**	1,287	1,085
Employee benefit plans		**1,637**	1,764	1,721
Other		**554**	945	611
Deferred income tax liabilities				
Property and equipment		**(3,089)**	(2,854)	(2,499)
Broadcast licences and goodwill		**(50,729)**	(48,831)	(46,074)
Net deferred income tax liability	**$**	**(48,229)**	(45,795)	(43,042)
Reflected in the consolidated statements of financial position as follows:				
Long-term deferred income tax assets	**$**	**1,871**	2,236	2,370
Long-term deferred income tax liabilities		**(50,100)**	(48,031)	(45,412)
	$	**(48,229)**	(45,795)	(43,042)

The reconciliation of the net deferred income tax liability is as follows:

(thousands of Canadian dollars)		**2016**	2015 restated *(note 3)*
Opening net deferred income tax liability - restated *(note 3)*	**$**	**(45,795)**	(43,042)
Deferred income tax expense recognized in profit		**(2,377)**	(2,748)
Deferred income tax expense recognized in OCI		**(57)**	(5)
Net deferred income tax liability	**$**	**(48,229)**	(45,795)

The Company recognizes the benefits of capital and non-capital loss carryforwards as deferred income tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. The deferred income tax asset of $1,363,000 related to tax loss carryforwards is comprised of $1,130,000 related to non-capital loss carryforwards and $233,000 related to capital loss carryforwards. As at December 31, 2016, the Company had available non-capital loss carryforward balances equal to $4,267,000 (2015 - $4,843,000), which will expire as follows: $268,000 in 2028; $355,000 in 2033; $1,687,000 in 2034; $1,368,000 in 2035; and $589,000 in 2036. As at December 31, 2016, the Company had capital loss carryforward balances equal to $1,608,000 (2015 - $nil) that are available for the reduction of capital gains in future years and do not expire.

15. PROVISION FOR INCOME TAXES *(continued)*

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

(thousands of Canadian dollars)		**2016** Profit	**2016** OCI	2015 Profit restated *(note 3)*	2015 OCI
Deferred income tax assets					
Canadian Content Development commitments	**$**	**166**	**-**	220	-
Tax loss carryforwards		**(76)**	**-**	(191)	-
Employee benefit plans		**18**	**110**	(80)	37
Other		**136**	**(53)**	(457)	(32)
Deferred income tax liabilities					
Property and equipment		**235**	**-**	499	-
Broadcast licences and goodwill		**1,898**	**-**	2,757	-
	$	**2,377**	**57**	2,748	5

16. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year which are disclosed in note 13.

Diluted earnings per share amounts are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive instruments which are convertible into ordinary shares. During the year, 100,000 (2015 – nil) executive stock options were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

(thousands)	**2016**	2015
Weighted average number of common shares used in calculation of basic earnings per share	**26,079**	27,355
Effect of dilution related to executive stock options	**1,205**	1,273
Weighted average number of common shares used in calculation of diluted earnings per share	**27,284**	28,628

17. SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of Canadian dollars)		**2016**	2015
Net change in non-cash working capital balances related to operations			
Receivables	**$**	**(2,886)**	(3,345)
Prepaid expenses		**(153)**	(308)
Accounts payable and accrued liabilities		**2,975**	(1,156)
	$	**(64)**	(4,809)

18. COMMITMENTS AND CONTINGENCIES

Operating leases and other

The Company has total commitments of $19,124,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows: 2017 - $5,289,000; 2018 - $4,695,000; 2019 - $3,856,000; 2020 - $2,201,000; 2021 - $1,206,000 and thereafter of $1,877,000.

Generally, lease terms for properties extend from five to fifteen years, with at least one renewal period, while leases for vehicles and equipment generally have no renewal periods, with terms extending from one year to several years.

Legal claims

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

19. OPERATING SEGMENT INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising and 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 as well as office space rental and related services revenue. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization, accretion of other liabilities, and *other income (expense)*.

Included within the Broadcasting segment are distinct operating segments that have been aggregated as they operate within the same regulatory environment and use similar processes to provide advertising services to customers. Operating segments are evaluated by the Company based on specific geographic locations within Canada. The Company considered the economic characteristics of the various operating segments, including earnings before interest, taxes, depreciation, and amortization, accretion of other liabilities, and *other income (expense)* in determining that these segments are appropriate to aggregate.

19. OPERATING SEGMENT INFORMATION *(continued)*

Details of segment operations are set out below:

(thousands of Canadian dollars)		Broadcasting	Corporate and other	Total
2016				
Revenue	**$**	**165,029**	**4,502**	**169,531**
Operating expenses		**(103,779)**	**(13,961)**	**(117,740)**
Segment profit (loss)		**61,250**	**(9,459)**	**51,791**
Depreciation, amortization and accretion of other liabilities		**(4,677)**	**(497)**	**(5,174)**
Interest expense		**-**	**(4,766)**	**(4,766)**
Other income		**64**	**825**	**889**
Profit (loss) before provision for income taxes	**$**	**56,637**	**(13,897)**	**42,740**
Assets employed	**$**	**357,900**	**14,763**	**372,663**
Liabilities		**(23,385)**	**(198,123)**	**(221,508)**
Other disclosures				
Broadcast licences carrying value		**262,064**	**-**	**262,064**
Goodwill carrying value		**19,055**	**-**	**19,055**
Capital expenditures		**(2,120)**	**(3,858)**	**(5,978)**
2015				
Revenue	$	160,598	4,004	164,602
Operating expenses		(105,930)	(12,704)	(118,634)
Segment profit (loss)		54,668	(8,700)	45,968
Depreciation, amortization and accretion of other liabilities		(4,880)	(413)	(5,293)
Interest expense		-	(6,382)	(6,382)
Other (expense) income		26	(597)	(571)
Profit (loss) before provision for income taxes	$	49,814	(16,092)	33,722
Assets employed - restated *(note 3)*	$	357,069	12,212	369,281
Liabilities - restated *(note 3)*		(29,505)	(203,602)	(233,107)
Other disclosures				
Broadcast licences carrying value		262,029	-	262,029
Goodwill carrying value - restated *(note 3)*		19,055	-	19,055
Capital expenditures		(8,472)	(1,240)	(9,712)

20. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Key management personnel

The key management personnel of the Company are the Chairman, CEO, Chief Operating Officer and CFO. Key management personnel remuneration for the years ended December 31 includes the following:

(thousands of Canadian dollars)		**2016**	2015
Short-term benefits			
Salaries including bonuses	**$**	**3,365**	3,054
Other		**304**	283
Post-employment benefits			
Defined benefit pension plan expense		**135**	149
Defined contribution pension plan expense		**64**	66
Share-based compensation expense		**85**	79
	$	**3,953**	3,631

The amounts disclosed in this table are the amounts recognized as operating expenses for accounting purposes during the year and do not represent cash payments. In addition, certain retirement arrangements for past executives are not included above.

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.

Related parties

Related parties of the Company include Directors and key management personnel, their family members and companies over which they have significant influence or control. Directors of the Company control 89% of the Class A shares and 98% of the Class B shares of the Company. The Company has transacted with related parties during the reporting period. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties having normal trade terms.

The Company sold advertising to companies controlled by the CEO and other directors during the reporting period. Included in revenue was $1,078,000 (2015 - $626,000) for services provided. During the year ended December 31, 2016, the Company entered into a ten-year lease agreement, having normal trade terms, to provide office space to a company controlled by the CEO. The Company provided office space, information technology support and had cost recoveries from companies controlled by the CEO during the year. Included in the consolidated income statements was $446,000 (2015 - $243,000) for services provided. Included in receivables as at December 31, 2016 was $57,000 (2015 - $82,000) for services provided to related parties.

The Company purchased goods and services from companies controlled by the CEO and other directors during the year. Included in operating expenses was $420,000 (2015 - $299,000) related to goods and services purchased during the year. Included in accounts payable and accrued liabilities as at December 31, 2016 was $44,000 (2015 - less than $1,000) for goods and services purchased.

Newfoundland Capital Corporation