PERFORMANCE

Newcap RADIO

Newfoundland Capital Corporation Limited

2010 ANNUAL REPORT

PROFILE

Newfoundland Capital Corporation Limited ("the Company" or "Newcap") is one of Canada's largest pure-play radio companies, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 63 FM and 18 AM licences which can be heard throughout Canada. The majority of our stations are accessible via the Internet, allowing listeners to tune in to our stations at any time, from anywhere. The primary source of the Company's revenue is derived from the sale of advertising airtime. In 2010, the Company generated $117 million in revenue, an increase of 12%. Newfoundland Capital Corporation Limited trades on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

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LOCAL RADIO IS THE DIFFERENCE

3 REASONS FOR LOCAL RADIO

1 Stability

Radio is the most powerful advertising tool for local businesses. Local revenue growth depends on strong relationships and providing results to advertisers. Newcap's commitment to the local community and focus on our client's business provides stable local revenue which is not entirely dependent on ratings and is insulated from changes in economic conditions.

2 Reach

Radio is at the heart of local communities all across Canada. Whether the audience is 5,000 listeners or 500,000 listeners, the collaborative spirit of local radio is integral to both supporting and fostering a community's identity. Every Newcap station makes it a priority to be at the centre of local events to best connect with and reflect the needs of our listeners. In every market we operate, our research, marketing and promotional teams work with our listeners to ensure our product is exactly what audiences want to hear.

3 Loyalty

Local radio creates lasting relationships with audiences and advertisers. Local radio creates a targeted and loyal listener base on which local advertisers rely to drive their businesses. We are able to distinguish ourselves because our commitment to understanding our listeners goes beyond programming. We are extremely active in the community, supporting and sponsoring charity events, and donating airtime for charitable causes.

LETTER TO SHAREHOLDERS

CLEAR FOCUS LEADS TO OUTPERFORMANCE

We have been in the radio business since 1986, building, operating and developing stations throughout Canada.

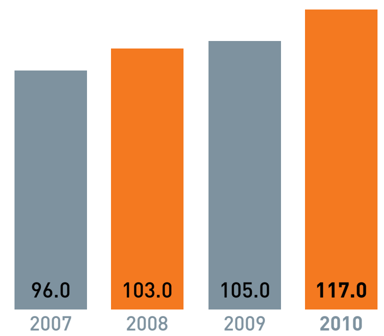
Over the last twenty-four years, we have grown from one AM station to a portfolio of 81 licences in eight provinces. Radio is our business, and we are the largest pure-play radio company in Canada. In over two decades, 2010 has been our most successful year. From the studio to the balance sheet, this was a year where the Company performed exceptionally well both on-the-air and off-the-air.

In 2010, we continued to see year-over-year growth, growing at a rate of 12%, our highest growth rate in the last three years. Our growth rate outpaced the industry growth rate of 6%. Our revenues were $117 million, compared to last year's total of $105 million. Our EBITDA rose to $25.6 million from $21.1 million in 2009. Our growth came from doing what we do best—maximizing the return from our existing operations through enhanced programming and increased advertising revenue. During 2010, in virtually every market we operate, we saw ratings gains, expanded our market share, and were the number #1 or #2 station in the majority of our rated markets.

EXECUTING ON OUR STRATEGY, REACHING MORE LISTENERS

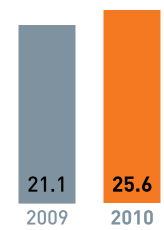
In 2010, we stayed on track with a disciplined and proven strategy: growing organically by maximizing returns on our assets by improving our content, lowering our costs, widening our reach, and reducing our debt-load. This strategy has proven successful for the Company. It has allowed us to navigate the past financial crisis, and emerge a stronger Company that has flourished in the subsequent years. We executed again on this strategy in 2010 and we continued to boost our ratings through compelling programming, ranking #1 in our targeted demographic in nine of our thirteen surveyed markets. Our talented research, programming and promotional teams work extremely hard to

LETTER TO SHAREHOLDERS



Revenue (million $)

In 2010, we used free cash flow to repurchase $9.2 million of capital stock and we reduced our long-term debt by almost $4 million.



EBITDA (million $)

keep our product fresh and our audiences engaged. During 2010, we re-launched and re-branded two stations: Sudbury, Ontario's CHNO-FM was re-launched as Rewind 103.9 and plays Sudbury's Greatest Hits, and the format of CHNK-FM in Winnipeg, Manitoba was re-branded as K-Rock 100.7, which replaces a country format with world class rock as well as blues and roots music. Both launches were extremely successful, especially in Sudbury, where Rewind debuted at #1 in the market with a 19.5 market share.

A key part of our strategy is to increase the number of listeners and communities we reach by adding repeater signals, and converting existing AM licences to FM. This adds significant incremental gains in listenership with only moderate additional costs. We launched four repeater signals in Prince Edward Island which allows us to broadcast two great FM stations from Charlottetown to new communities throughout the province. We also received CRTC approval for repeaters in Springdale and North West River, Newfoundland and Labrador.

Converting AM stations to FM is a very important value-generating facet of our strategy, which the Company pursues wherever possible. In 2010, we launched three newly-converted AM to FM stations in Wabush and Goose Bay, Newfoundland and Labrador, and in High Prairie, Alberta. We also received CRTC approval to convert two AM stations in Brooks and Westlock, Alberta to FM.

In 2010 we used free cash flow to repurchase $9.2 million of capital stock and we reduced our long-term debt by almost $4 million.

LOOKING AHEAD TO 2011

2010 was a record year in many respects for the Company. We outpaced the radio industry revenue growth rate and are very proud of this achievement. However, there is much more room to grow, and we are a Company whose talented employees are always performing at their peak, looking for ways to improve and bring in more listeners and revenue.

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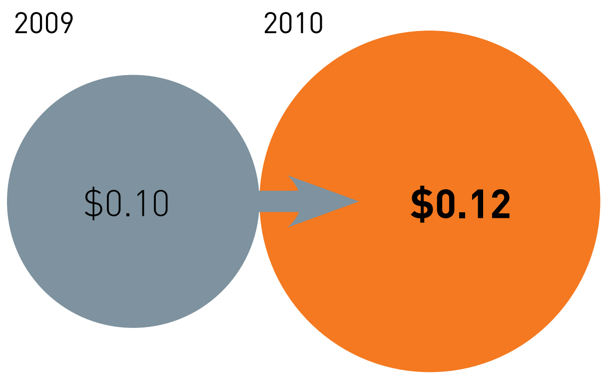
LETTER TO SHAREHOLDERS



DIVIDENDS PER SHARE

2010 was a record year in many respects. In 2011, we will continue to stick to our growth strategy and maintain a clear focus on our strong operational foundation.

Looking ahead, we will continue to explore and evaluate acquisition and expansion opportunities that fit our disciplined criteria of being cash accretive in markets where there is room to grow, and benefit from synergies which allow us to leverage multiple stations onto our operating platform. We will continue to aggressively apply to the CRTC for new licences and create long-term value for our shareholders by pursuing, wherever possible, CRTC approval to convert our AM stations to FM. We will also look to reduce our debt-load to strengthen our balance sheet for future acquisition opportunities.

In the coming year we will continue to implement our growth strategy and maintain a clear focus on our strong operational foundation—commitment to our communities, our listeners, our customers, and our talented radio professionals. This commitment is critical to our success in the past, present, and future. We will also continue to improve our content and build our presence in our largest markets—Ottawa, Calgary and Edmonton, markets which bear the greatest potential for upside in EBITDA and revenue growth.

The Board of Directors declared dividends of $0.06 per share in August 2010 and $0.06 per share in December 2010. This represents a 20% increase over the previous year's total of $0.10 per share.

We would like to extend our gratitude to all of our employees, whose ingenuity and talent propelled our Company and our product to a higher level. We commend them on the excellent work they've done to help our stations understand exactly what people in our communities want to hear; and delivering on those needs with content that is innovative and constantly-evolving.

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

Sincerely,

Rob Steele
President and Chief Executive Officer

Harry Steele
Chairman

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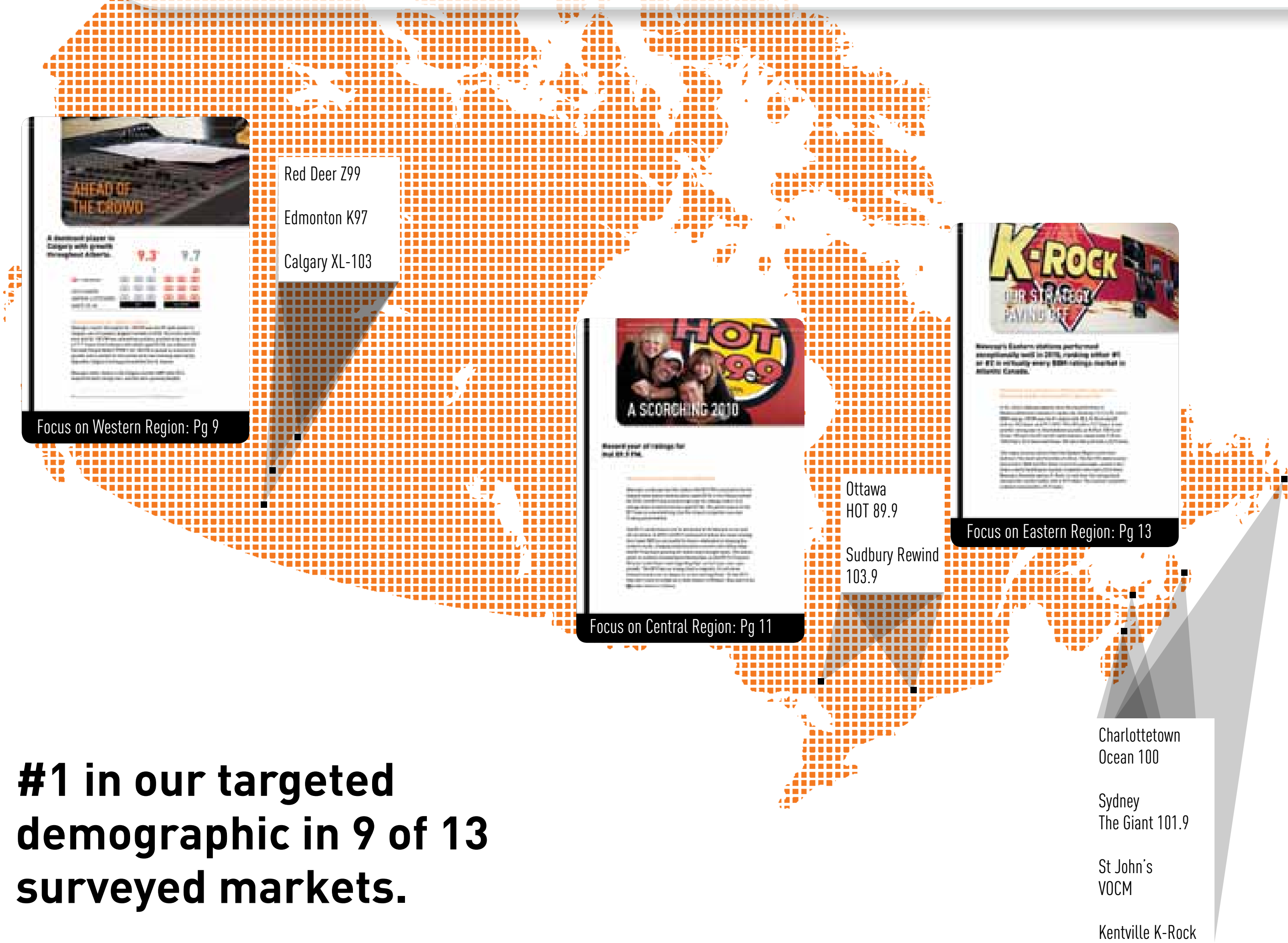
LIVE + LOCAL

OUR PRESENCE:
RADIO LICENCES BY REGION:

WESTERN: 34 | CENTRAL: 6 | EASTERN: 41



#1 in our targeted demographic in 9 of 13 surveyed markets.

For the second straight year, and four of the last five years, our growth exceeded the growth posted by the Canadian broadcasting industry.

One of the major contributing factors to our remarkable performance in 2010 was the outstanding product we constantly deliver to millions of Canadians in markets all across this country. Our sales and programming teams are second to none, and work hard to ensure our listeners and advertisers get exactly what they want—local news, local content, local programming.

Newcap's stations were #1 in their targeted demographic in nine of the thirteen rated markets based on the December 2010 BBM results.

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OUR CCD COMMITMENTS

THE "LiVE 88.5 BIG MONEY SHOT"

Photo: Steve McGill

The LiVE 88.5 Big Money Shot has become a cornerstone in Ottawa's independent music community.

LiVE created the Big Money Shot in 2006 as an annual talent search organized by Newcap's Ottawa station LiVE 88.5 FM. Over the past five years, the competition has provided over $2 million to Canadian musicians in the Ottawa region. The event has drawn hundreds of local artists and has become a cornerstone in Ottawa's independent music community.

Every year the prize money and exposure from the "LiVE 88.5 Big Money Shot" has given bands from the Ottawa region the chance to turn their talents into viable music careers. In 2010, the LiVE 88.5 Big Money Shot event awarded a total of $360,000 in cash prizes. The contest winners took home a grand prize of $150,000, while two runner-up artists each won prizes of $75,000. Other contestants received awards totaling $60,000. LiVE 88.5 also contributed $190,000 towards workshops and artist showcases.

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OUR CCD COMMITMENTS

Photo: Steve McGill

The Big Money Shot exists as a part of Newcap's commitment to Canadian Content Development ("CCD"), a multifaceted CRTC initiative. Newcap contributes approximately $3 million annually to CCD, and equal or greater value through airplay and promotion of Canadian artists.

The Big Money Shot is about more than just big money. Not only does Newcap Radio provide financial support, but the contest also draws experienced luminaries from across the industry to work with competing bands. Judges and consultants for our contest have included leaders from various companies in the record label and entertainment business. In addition to the industry contacts and coaching, the six-month competition gives artists opportunities to form relationships with other bands, and most importantly, provides a platform to showcase their music to thousands of local fans.

In 2010, Big Money Shot champions were pop/rockers Autumns Canon (pictured), who currently reside in Ottawa.

Lee Wagner, Newcap Radio Ottawa Operations Manager, said "2010 was another fantastic year for our contest. Our $150,000 winner, Autumns Canon, and the two $75,000 runner-up bands, The Balconies and My Favourite Tragedy, will all be poised to make an immediate impact on the Canadian music scene. Last year's winner, Hollerado, had a monster 2010 with two singles hitting the Top 20 of the Canadian radio charts and culminating in a Juno nomination for Best New Group. The Ottawa music scene is beginning to launch and we are thrilled to be on board."

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Our strategy is to grow

organically by maximizing the return from our existing radio assets, growing by new licences and conversions, and growing by acquisitions that fit our investment criteria of being accretive and synergistic in expanding regional markets.

GOAL	HOW WE DO IT	WHY IT MATTERS	HOW WE DID IN 2010
MAXIMIZE RETURN FROM EXISTING RADIO ASSETS	Improve programming, research and marketing to capture ratings and market share. Continuously look for operating efficiencies. Offer innovative advertising campaigns. Remain connected to the local audience.	Creates expansion and promotes leadership and innovation in local markets with relatively low capital expenditure requirements.	Focused heavily on research and generated higher returns in Calgary, Edmonton and Ottawa–our largest markets. Monitored operating costs closely, ensuring efficiencies, enhancing revenue generation. Re-launched and rebranded CHNO-FM as Rewind 103.9 FM, playing Sudbury, Ontario's Greatest Hits. Re-launched and rebranded CHNK-FM in Winnipeg, Manitoba as K-Rock 100.7 FM world class rock.

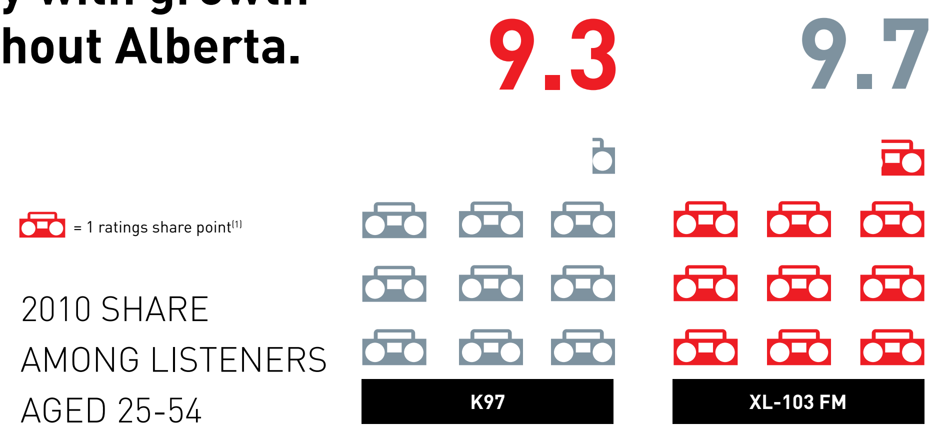
GOAL	HOW WE DO IT	WHY IT MATTERS	HOW WE DID IN 2010
GROW BY NEW LICENCES & CONVERT AM STATIONS TO FM	Convert AM stations to FM. Apply for repeater licences. Consider every CRTC call for radio applications.	Allows the Company to reach more listeners, greater market presence for advertisers, and increases the asset value of the portfolio.	Launched four new FM repeater licences in Prince Edward Island. Launched two FM conversions in Newfoundland and Labrador and one in Alberta. Received CRTC approval to convert three AM stations to FM in Alberta. Received CRTC approval for two repeater licences in Newfoundland and Labrador. Continued to apply to the CRTC for new licences and other conversions.

GOAL	HOW WE DO IT	WHY IT MATTERS	HOW WE DID IN 2010
GROW BY ACQUISITION	Assess new acquisition opportunities that meet our investment criteria of building cash-accretive assets in strategic markets where the Company can leverage existing assets.	Delivers immediate cash flow from new and high-growth markets.	The Company continues to evaluate accretive acquisitions in markets where they can leverage their existing operating platform and develop synergies.

FOCUS ON WESTERN REGION

AHEAD OF THE CROWD

A dominant player in Calgary with growth throughout Alberta.



Newcap has thirty-four stations in Alberta.

Newcap's classic hits station XL-103 FM was the #1 radio station in Calgary, one of Canada's biggest markets in 2010. This is the very first time that XL-103 FM has claimed top position, and did so by earning a 9.7 share of all listeners with adults aged 25-54, according to the Portable People Meter ("PPM"). XL-103 FM is poised to continue its growth, and is excited for the arrival of its new morning team led by legendary Calgary morning personalities Don & Joanne.

Newcap's other station in the Calgary market, AMP radio 90.3, enjoyed its best ratings ever, and has been growing steadily

[1] All ratings in this annual report are according to the Fall 2010 BBM ratings period.

month-by-month. AMP has enjoyed solid ratings among younger audiences, its core listenership.

Despite an extremely competitive market in Red Deer, Newcap's rock station Z99-FM managed to hold off new competition and regain its #1 position with a 13.3 share. The performance of our Red Deer stations is an encouraging testament to the Company's growth and ability to understand the needs of listeners in new markets as both KG Country 95.5 FM and Z99-FM were acquired and integrated into the Newcap operating platform just five years ago.

NEW FM STATIONS ON THE WAY:

In 2009 and 2010 Newcap received CRTC approval to convert five Western Region stations from AM to FM:

- Brooks, Alberta (FM launched in early 2011)
- Grande Cache, Alberta
- High Prairie, Alberta (FM launched in 2010)
- St. Paul, Alberta
- Westlock, Alberta

Planning for the remaining conversions is underway.

CHARITY EVENT

In June 2010, Edmonton's classic rock station K97 hosted its 11th annual Terry, Bill & Steve's Charity Golf Classic at the Red Tail Landing Golf Club. The tournament was put on by radio personalities Terry, Bill and Steve, hosts from K97's TBS morning show. The sold-out event drew over 150 golfers and raised over $20,000 for the Alberta Diabetes Foundation.

The TBS show continued to perform well in 2010, and is quite popular among male listeners. Overall, according to the PPM survey, K97 experienced strong ratings in the especially competitive Edmonton market, coming in 3rd with adults 25-54, and had a 9.3 share.

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FOCUS ON CENTRAL REGION

A SCORCHING 2010

Record year of ratings for Hot 89.9 FM.

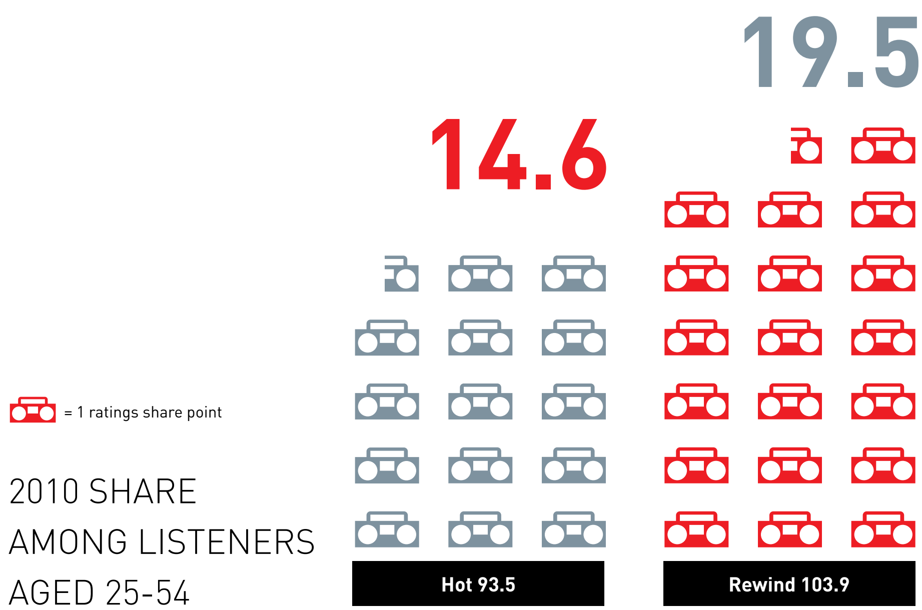
Newcap has six stations in Ontario and Manitoba.

Newcap's contemporary hits station, Hot 89.9 FM continued to be the highest rated station among adults aged 25-54 in the Ottawa market for 2010. Hot 89.9 had a record high year for ratings, with a 14.0 ratings share of adult listeners aged 25-54. The performance of Hot 89.9 was so overwhelming, that the closest competitor was over 5 rating points behind.

Hot 89.9's performance can be attributed to its talented on-air and off-air teams. In 2010, Hot 89.9 continued to follow the same strategy that made 2009 so successful for them—dedication to keeping the content, music, imaging and promotions current and cutting-edge. Hot 89.9 has been growing for nearly eight straight years. The station plans to continue increasing its listenership, as Hot 89.9's Program Director Josie Geuer said regarding their current year-over-year growth: "Hot 89.9 has an energy that is magnetic. It's all about forward motion; we're always on to the next big thing." At Hot 89.9, they don't want to simply be a radio station in Ottawa—they want to be **the** radio station in Ottawa.

FOCUS ON CENTRAL REGION

Newcap's two Sudbury stations had an excellent 2010, with their two stations placing #1 and #3 in the market.



Newcap's two Sudbury stations also had an excellent 2010, with their two stations placing #1 and #3 in the market. Newcap re-launched CHNO-FM as Rewind 103.9, and "Sudbury's Greatest Hits" station made a spectacular debut as Sudbury's #1 radio station with a 19.5 share. After being launched mid-2009, Rewind 103.9's sister station, HOT 93.5 posted a strong increase, up from 12.6 to 14.6 to take the #3 position in the market.

NEW FM STATION ON THE WAY:

- CHNK-FM in Winnipeg, Manitoba has been re-formatted and re-branded as K-Rock 100.7, world class rock. The station plays primarily classic rock music as well as a diverse mix of blues and roots music.

FOCUS ON EASTERN REGION

OUR STRATEGY PAYING OFF

Newcap's Eastern stations performed exceptionally well in 2010, ranking either #1 or #2 in virtually every BBM ratings market in Atlantic Canada.

Newcap has forty-one stations in Newfoundland and Labrador, Nova Scotia, New Brunswick and Prince Edward Island.

In St. John's, Newcap stations were the top performers in Newfoundland and Labrador's capital city, finishing 1-2-3 in St. John's BBM ratings. VOCM was the #1 station with 20.2, K-Rock was #2 with an 18.0 share, and 99.1 HITS-FM is #3 with a 17.7 share. It was another strong year in Charlottetown as well, as K-Rock 105.5 and Ocean 100 were the #1 and #2 rated stations, respectively. K-Rock 105.5 had a 24.0 share and Ocean 100 sits in #2 and holds a 22.0 share.

Two major success stories from the Eastern Region come from Sydney's The Giant and Kentville's K-Rock. The two FM stations were launched in 2008 and The Giant, true to its namesake, posted a 40.2 share, nearly doubling its nearest competitor who had a 23.3 share. Newcap's Kentville station, K-Rock, in only their 3rd ratings book remains the market leader with a 36.9 share. The nearest competitor was a distant second with a 15.7 share.

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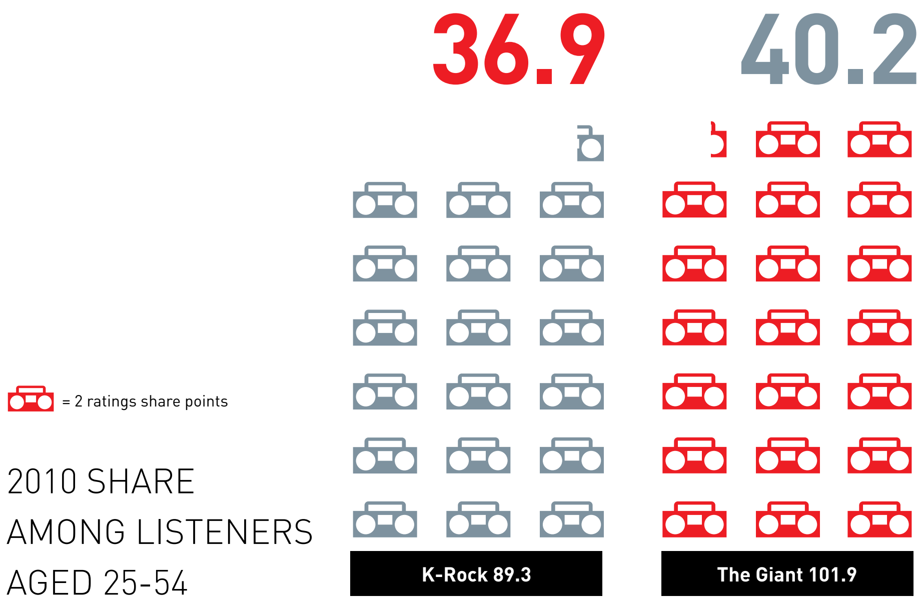
FOCUS ON EASTERN REGION

Sydney and Kentville are excellent examples of Newcap's ability to deliver incremental growth in new markets.



The top performing Sydney and Kentville stations are excellent examples of Newcap's ability to deliver organic growth in new markets. The key to Sydney's success boiled down to engaging the audience. When The Giant came to town, our radio professionals went right into the community and did heavy research, talking with listeners, local businesses, local politicians and community leaders to find out what they wanted. The answer was unanimous—the community wanted a fun, uptempo radio station that was engaging and innovative. They wanted more contests and more interaction. The Giant delivered all of those needs, and in doing so, reinforced the Newcap strategy—they connected with their communities, reflected the needs of their audiences, and continue to flourish.

NEW STATIONS ON THE WAY:

- Launched four repeater signals in Prince Edward Island in early 2010
- Launched new AM to FM conversions in Wabush and Goose Bay, Newfoundland and Labrador in September 2010
- Received CRTC approval for repeater in Springdale, and North West River, Newfoundland and Labrador in September 2010 and early 2011

MANAGEMENT'S DISCUSSION & ANALYSIS

TABLE OF CONTENTS (MD&A)

The purpose of the Management's Discussion and Analysis ("MD&A"), dated March 3, 2011, is to provide readers with additional information regarding Newfoundland Capital Corporation Limited's financial condition and results of operations and should be read in conjunction with the annual audited consolidated financial statements, prepared as of March 3, 2011, and related notes contained in this 2010 Annual Report.

These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 21, 2011 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. The Company's news releases are also available on the Company's website at www.ncc.ca.

All amounts herein are expressed in Canadian dollars. Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in Fiscal 2010.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Profile

Newfoundland Capital Corporation Limited ("the Company") is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 63 FM and 18 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 any time from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

2010 Significant Highlights

- Consolidated revenue increased 12% driven by both local and national advertising revenue within the broadcasting segment.
- 21% increase in consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA")[1]. This is significant growth year-over-year and is net of $3.0 million in copyright fees which arose due to a Copyright Board ruling in July 2010. Excluding this ruling and the one time recovery of CRTC Part II fees in 2009, EBITDA would have been 51% higher than the prior year.
- Net income is lower than the prior year due to certain non-operating items. In 2010 the Company incurred a $1.6 million broadcast licence impairment charge negatively impacting net income while 2009 results included a gain on disposal of a broadcasting licence of $5.6 million.
- The Company declared dividends of $0.12 per share on each of its Class A Subordinate Voting Shares ("Class A shares") and Class B Common Shares ("Class B shares"). This represents a 20% increase over the amount declared in 2009.
- Pursuant to a Normal Course Issuer Bid, the Company repurchased for cancellation 1,459,978 of its outstanding Class A shares for $9.2 million.
- The December 2010 listener ratings results were among the best the Company has ever achieved. The Company ranked #1 in its targeted demographic in the majority of its surveyed markets.

[1] Refer to page 37 for the reconciliation of EBITDA to net income

Our Industry

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

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

Audience and Share Ratings

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

In Canada's largest markets, the method of audience measurement has changed to the Portable People Meter method ("the meter method"). The meter method is considered a more accurate technique to capture listener share since individuals carry pager-like devices which automatically detect listening habits at all times during the day. The traditional diary method relies on paper diaries that individuals fill out manually based on their recollected radio listening habits. For the Company, two of its largest surveyed markets are measured using the meter method – Edmonton and Calgary, Alberta. This has been positive for the Company because this method produced a more accurate measure of the Company's penetration in these markets.

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

The Company's Strategy in 2010, 2011 and Beyond

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

2010

Management's focus on its goals has resulted in a positive impact on the results for 2010. Acquisition opportunities that fit the Company's growth strategy continued to be explored with no investments in 2010. Management's focus on organic growth paid off with double-digit revenue growth.

Growth of Existing Operations

Revenue and EBITDA increased in 2010 by 12% and 21% respectively. The Company continued to outpace the industry within the broadcasting segment with 12% growth in broadcasting revenue compared to the industry having 6% growth. The Company's talented employees led the way for success in 2010 and here are just some of their achievements:

- Advertising revenue increased 12% while industry revenue was 6% in 2010. This performance was a result of expanding the sales force, intensive training and an increase in sales activity.
- Building upon its tight management of costs in 2009, the Company ensured its fixed costs grew only at inflationary rates thus helping to ensure the majority of revenue growth led to improved EBITDA.
- The Company achieved strong ratings results in 2010; this is attributed to the hard working employees in programming, on-air talent, and in the creative and news departments, all of which position the Company for a rewarding year in 2011.

The Company has always believed that one of its key success factors is the connection it has forged over the years with the local communities it serves. A significant amount of the Company's revenue growth came from local advertising in 2010. These local ties are critical to the Company's success. Throughout the year, the Company continued to be actively involved in and supportive of local, charitable, community-based activities and fundraising initiatives.

2011 and Beyond

In 2011 and beyond, the Company intends to continue to grow existing operations, to increase its number of licences and to explore all new acquisition opportunities that present themselves. It is management's goal to be the largest radio licence holder in Canada. Some of the more specific goals for the Company in 2011 and beyond are:

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

Corporate Developments

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

2010 Developments:

- Early in 2010 the Company launched the four repeater signals in Prince Edward Island.
- In February CFCB in Corner Brook, Newfoundland and Labrador celebrated its 50th anniversary.
- The Company received CRTC approval to convert the AM stations in Westlock, Grande Cache and Brooks, Alberta to FM. The Brooks FM was launched in early 2011.
- CFRQ-FM, otherwise known as Q104, serving Halifax, Nova Scotia was named medium-market station of the year during Canada Music Week.
- The Company re-launched CHNO-FM as Rewind 103.9 playing Sudbury, Ontario's Greatest Hits and debuted #1 in the Fall ratings period.
- CHNK-FM in Winnipeg, Manitoba was re-branded as K-Rock 100.7 World Class Rock. The station plays primarily classic rock music as well as a diverse mix of blues and roots music.
- The Company received CRTC approval for a repeater in Springdale, Newfoundland and Labrador.
- The Company repurchased 1,459,978 Class A shares for $9.2 million pursuant to a Normal Course Issuer Bid.

2009 Developments:

- In January 2009 the Company launched the new FM station in Pincher Creek, Alberta playing country music.
- The CRTC approved two AM to FM conversions for stations in St. Paul and High Prairie, Alberta. The High Prairie FM launched in early 2011. The St. Paul FM is expected to be launched during 2011.
- In June 2009, the CRTC approved the Company's applications to convert AM stations to FM in Wabush and Goose Bay, Newfoundland and Labrador. These new FM stations were launched in 2010.
- CFUL in Calgary, Alberta was reformatted as a Contemporary Hits Radio format and branded as AMP Radio. This format is similar to the very popular Ottawa station, Hot 89.9, which was named the 2008 Contemporary Hits Radio station of the year.
- In July an exchange of assets with Rogers Broadcasting Limited was completed. The Company's Halifax AM licence was exchanged for Rogers' AM licence in Sudbury, Ontario plus $5.0 million. The AM station was converted to FM and launched as Hot 93.5. Its format is Top 40 and has been met with a very positive response from both listeners and clients.
- The Company launched the converted FM radio station in Athabasca, Alberta. 94.1 FM The River plays Classic Hits.
- The Company's stock was split on a three-for-one basis in November 2009.
- The Company completed the previously announced sale of the broadcasting assets related to the two FM stations in Thunder Bay, Ontario for $4.5 million plus working capital.

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Performance Review

Selected Financial Highlights

Growth in revenue between 2008 and 2010 was due largely to a combination of organic growth and incremental increases from new station launches. These are some of the other significant factors that affected annual results between 2008 and 2010:

- 2008—The Company recorded a total of $9.4 million in losses related to the Company's marketable securities of which $7.9 million was unrealized. While significant losses were recorded in 2008, the Company experienced significant gains in 2006, 2007 and in 2009. A goodwill impairment charge of $1.3 million also negatively impacted net income in 2008.
- 2009—The Company recorded a $5.6 million gain on disposal of a broadcasting licence.
- 2010—The Company recorded a broadcast licence impairment charge of $1.6 million.

Due to the disposal of broadcasting assets in Thunder Bay, Ontario on December 30, 2009, the financial results of operations from this component and its gain on disposal were treated as discontinued operations for 2008 and 2009.

Selected Financial Highlights (thousands of Canadian dollars, except share data)	2010	2009	2008
Revenue	$ **117,399**	105,298	103,382
Net income (loss) from continuing operations	**10,701**	14,934	(4,753)
Net income (loss)	**10,701**	15,366	(4,645)
Weighted average number of outstanding shares*			
– basic (thousands)	**32,729**	32,972	33,048
– diluted (thousands)	**33,766**	34,074	34,009
Earnings per share*			
Net income (loss) from continuing operations			
– basic	**0.33**	0.45	(0.14)
– diluted	**0.32**	0.44	(0.14)
Net income (loss)			
– basic	**0.33**	0.47	(0.14)
– diluted	**0.32**	0.45	(0.14)
Total assets	**232,353**	232,853	235,776
Long-term debt, including current portion	**53,158**	57,100	73,840
Dividends declared*			
Class A shares	**0.12**	0.10	0.10
Class B shares	**0.12**	0.10	0.10

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Consolidated Financial Results of Operations
The Company's consolidated financial results of operations showed significant growth in 2010 and exceeded industry-wide performance.

	3 months			12 months		
(thousands of Canadian dollars, except per share data and percentages)	2010	2009	% change	2010	2009	% change
Revenue	**$ 32,200**	30,458	6	**$ 117,399**	105,298	12%
Operating expenses	**23,574**	20,324	16	**91,829**	84,247	9%
EBITDA	**8,626**	10,134	(15%)	**25,570**	21,051	21%
Depreciation and amortization	**1,228**	1,019	21%	**3,941**	3,795	4%
Interest expense	**1,002**	1,520	(34%)	**3,639**	4,374	(17%)
Accretion of other liabilities	**132**	202	(35%)	**683**	867	(21%)
Broadcast licence impairment charge	**—**	—	—	**1,609**	—	n/a
	6,264	7,393	(15%)	**15,698**	12,015	31%
Other income (expense)	**546**	(273)	n/a	**437**	2,809	n/a
Gain on disposal of broadcasting licence	**—**	—	—	**—**	5,616	n/a
Earnings from continuing operations	**6,810**	7,120	(4%)	**16,135**	20,440	(21%)
Provision for income taxes	**2,077**	1,996	4%	**5,434**	5,506	(1%)
Net income from continuing operations	**4,733**	5,124	(8%)	**10,701**	14,934	(28%)
Net income from discontinued operations	**—**	337	n/a	**—**	432	n/a
Net income	**$ 4,733**	5,461	(13%)	**$ 10,701**	15,366	(30%)
EPS - continuing operations						
- basic	**$ 0.15**	0.16	—	**0.33**	0.45	—
- diluted	**0.14**	0.15	—	**0.32**	0.44	—
EPS						
- basic	**0.15**	0.17	—	**0.33**	0.47	—
- diluted	**0.14**	0.16	—	**0.32**	0.45	—

Analysis of Consolidated Results

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

Revenue
Consolidated revenue of $32.2 million in the fourth quarter improved by 6% or $1.7 million and for the year ended December 31, 2010, consolidated revenue of $117.4 million was 12% or $12.1 million higher than 2009. This improvement came exclusively from the broadcasting segment.

Operating Expenses
Consolidated operating expenses for the fourth quarter were $23.6 million, 16% or $3.3 million higher than 2009 while for the year ended December 31, 2010, they were $91.8 million, 9% or $7.6 million higher.

CRTC Part II Licence fees totaling $2.0 million were reversed in the fourth quarter of 2009 as a result of a court decision while in 2010 the Copyright Board issued a ruling on certain tariffs which resulted in a $3.0 million increase in copyright fees, of which $1.8 million related to previous years. These two matters are more fully explained under the "Financial Review by Segment" section.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")
Fourth quarter consolidated EBITDA was $8.6 million and $25.6 million year-to-date. Consolidated EBITDA in the fourth quarter was lower than 2009 largely due to the aforementioned CRTC Part II fees' reversal in 2009 and additional copyright fees in 2010. Excluding the impact of these two fees, fourth quarter EBITDA would have been 9% higher than 2009 and year end EBITDA of $27.3 million would have been 51% higher than 2009.

MANAGEMENT'S DISCUSSION & ANALYSIS

Depreciation and Amortization

Depreciation and amortization expense was $1.2 million in the quarter, slightly higher than 2009, while year-to-date depreciation and amortization of $3.9 million was 4% higher than last year. These variations were not significant overall but varied depending on the asset base and timing of capital expenditures.

Interest Expense

Interest expense in the quarter was $1.0 million and year-to-date interest was $3.6 million; both lower than the same periods last year. In the fourth quarter of 2009, the Company de-designated a portion of one of its interest rate swaps which resulted in the recognition of interest expense of almost $0.6 million. Excluding the de-designation adjustment, 2010 interest expense would have been on par with 2009.

Accretion of Other Liabilities

Accretion of other liabilities arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. The expense in the quarter of $0.1 million and $0.7 million year-to-date was slightly lower than the respective periods last year as a result of the expense being higher in the initial years of payment.

Broadcast Licence Impairment Charge

During the second quarter of 2010, management conducted a broadcast licence impairment analysis for one of its reporting units due to a triggering event in which the Company's request for the removal of certain format restrictions on one of its Winnipeg broadcast licences was not approved by the CRTC. As a result of the analysis, management recorded a broadcast licence impairment charge of $1.6 million, which is more fully described in note 4 of the Company's annual audited consolidated financial statements.

Other Income (Expense)

Other income (expense) relates primarily to investment income and consists of realized and unrealized gains and losses related to the Company's investment portfolio of marketable securities, interest, dividends and distributions from investments. Other income was $0.5 million in the quarter, $0.8 million better than the same period last year while year-to-date other income of $0.4 million was $2.4 million lower than the prior year. In 2010, stock prices in the general Canadian trading market experienced improvements. This resulted in the recognition of unrealized gains, although the gains were not as high as 2009. Realized losses due to the divestiture of marketable securities in 2010 were $nil in the quarter and $0.3 million for the year.

Gain on Disposal of Broadcasting Licence

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

Provision for Income Taxes

The provision for income taxes was lower than 2009 due to lower pre-tax earnings. The effective income tax rate was 34% which is on par with the statutory rate of 34%.

Discontinued Operations

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

Net Income

Fourth quarter net income of $4.7 million and $10.7 million for the year was lower than the same periods last year. The primary reasons for lower amounts in 2010 were the fluctuation of fees, the broadcast licence impairment charge in 2010 and the gain on disposal of a broadcasting licence in 2009.

Other Comprehensive Income ("OCI")

OCI consists of the net change in the fair value of the Company's cash flow hedges. These include interest rate swaps and an equity total return swap. The after-tax unrealized income recorded in OCI for the interest rate swaps was $0.5 million in the fourth quarter and $0.3 million year-to-date (2009 – $0.8 million in the quarter and $2.8 million year-to-date). The after-tax unrealized loss related to the equity total return swap was $0.1 million for the quarter (2009 – $0.3 million). Year-to-date, the unrealized after-tax loss was less than $0.1 million (2009 – $0.1 million after-tax gain).

Financial Review by Segment

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

Broadcasting Segment

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

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

Revenue

Fourth quarter revenue was $31.4 million, 6% or $1.7 million higher than the same quarter last year. For the year ended December 31, 2010, revenue of $113.8 million improved by 12% or $12.0 million compared to 2009. The entire growth in the quarter and year-to-date was driven by organic (same-station) revenue.

The Western Canada radio properties had strong revenue growth for the Company achieving an increase of 8% in the quarter and 13% year-to-date. Atlantic Canada radio stations and those in the Central region also enjoyed growth that exceeded the industry average with Central Canada's revenue growing year-over-year by 25% and Atlantic Canada's growth was 7%. The overall industry growth was 6%.

During 2010 national advertising for the Company was 12% higher than 2009 as the economy strengthened and continued to be strong throughout the year. For the Company, local advertising increased by 12% or $8.4 million, another sign that the economic recovery was widespread throughout the country.

Overall, the industry's average growth rate in 2010 was 6%; the Company posted positive growth of 12% year-over-year. Management anticipates that it will be able to continue generating positive revenue growth in 2011.

Broadcasting Segment

(thousands of Canadian dollars, except percentages)	3 months			12 months		
	2010	2009	% change	**2010**	2009	% change
Revenue	**$ 31,370**	29,670	6%	**$ 113,803**	101,763	12%
Operating expenses	**20,292**	17,756	14%	**80,790**	73,951	9%
EBITDA	**$ 11,078**	11,914	(7%)	**$ 33,013**	27,812	19%
EBITDA margin	**35%**	40%	(5%)	**29%**	27%	2%

Operating Expenses

Broadcasting operating expenses for the quarter were $20.3 million, 14% or $2.5 million higher than 2009 while year-to-date operating expenses of $80.8 million were also higher than last year by 9% or $6.8 million.

Over the past number of years the Canadian Association of Broadcasters (the "CAB"), on behalf of all radio broadcasters, has been disputing the amount of Part II fees charged by the CRTC. During these years there were court filings, appeals and in 2009, a final settlement was reached. The Company adjusted its operating expenses related to these fees based on court decisions at each stage of the dispute. In 2007 there was a reduction in fees while in 2008 there was an increase in fees. In the final ruling in the fourth quarter of 2009, operating expenses were reduced by $2.0 million. The net effect of this ruling was that the Company had no Part II fees expense for September 1, 2006 to August 31, 2009. Beginning September 2009, the approximate annual fee cost is $0.6 million.

The Copyright Board issued a ruling in July 2010 on certain tariffs which resulted in a $3.0 million increase in copyright fees year-to-date, of which $1.8 million related to previous years. As a result of this ruling, copyright fees as a whole have increased from 7.3% to 8.9% of revenue, subject to certain exemptions for low use and low revenue stations.

Excluding the impact of CRTC Part II fees and increased copyright fees, operating expenses would have been less than 2% higher than the fourth quarter last year and year-to-date expenses would have been 3% higher than 2009. The small increases in the 2010 operating expenses were primarily because of higher variable costs due to higher revenue.

EBITDA

Fourth quarter broadcasting EBITDA of $11.1 million was 7% or $0.8 million lower than 2009. Year-to-date EBITDA of $33.0 million was 19% or $5.2 million better than last year. Eliminating the impact of CRTC Part II fees and copyright fees explained above, EBITDA in the quarter would have been $11.1 million and $34.8 million year-to-date. This represents a $1.4 million or 14% increase over the fourth quarter last year and a $9.9 million or 40% increase on a year-to-date basis. The improved EBITDA is attributable to revenue growth in the quarter and in the year.

Corporate and Other Segment

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

Revenue

Corporate and Other revenue increased by less than $0.1 million or 5% in the fourth quarter and by less than $0.1 million or 2% year-to-date; this was due to a slight increase in hotel revenue.

Operating Expenses

Operating expenses of $3.3 million were higher than the fourth quarter last year. Year-to-date operating expenses of $11.0 million were 7% or $0.7 million higher than 2009.

EBITDA

Fourth quarter and year-to-date EBITDA were lower than the same periods last year primarily due to the increase in operating expenses.

Corporate and Other Segment

(thousands of Canadian dollars, except percentages)	3 months			12 months		
	2010	2009	% change	**2010**	2009	% change
Revenue	**$ 830**	788	5%	**$ 3,596**	3,535	2%
Operating expenses	**3,282**	2,568	28%	**11,039**	10,296	7%
EBITDA	**$ (2,452)**	(1,780)	(38%)	**$ (7,443)**	(6,761)	(10%)

Selected Quarterly Financial Information

(unaudited except totals)

The Company's revenue and operating results vary, depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is lower. The fourth quarter tends to be a period of higher retail spending. In 2010 the Company recognized the increased copyright fees and the broadcast licence impairment charge in the second quarter. In 2009, a gain on the disposal of a broadcasting licence positively impacted net income by $5.6 million in the third quarter.

(thousands of Canadian dollars, except share data)	Quarter				
2010	**1st**	**2nd**	**3rd**	**4th**	**Year**
Revenue	**$ 25,706**	**30,785**	**28,708**	**32,200**	**117,399**
Net income	**1,237**	**2,127**	**2,604**	**4,733**	**10,701**
Earnings per share					
– basic	**0.04**	**0.06**	**0.08**	**0.15**	**0.33**
– diluted	**0.04**	**0.06**	**0.08**	**0.14**	**0.32**
2009					
Revenue	$ 22,660	26,772	25,408	30,458	105,298
Net income	552	3,144	6,209	5,461	15,366
Earnings per share					
– basic	0.02	0.10	0.19	0.17	0.47
– diluted	0.02	0.09	0.18	0.16	0.45

Cash Flows

The table to the right depicts the major sources of cash inflows and outflows in 2010 and 2009.

Cash Flows – 2010

Cash flows from operating activities of $23.0 million were used to fund the repurchase of capital stock of $9.2 million, dividend payments of $5.3 million, to pay CCD commitments of $2.8 million and to purchase property and equipment totaling $2.9 million.

Cash Flows – 2009

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

Cash Inflows (thousands of Canadian dollars)	**2010**	2009
Funds generated from continuing operations	**$ 17,425**	18,605
Change in working capital	**5,581**	(646)
Discontinued operations	**—**	383
Cash generated from operating activities	**23,006**	18,342
Proceeds from disposal of broadcasting assets	**—**	9,753
Total inflows	**$ 23,006**	28,095

Cash Outflows (thousands of Canadian dollars)	**2010**	2009
Bank debt repayments	**$ (2,319)**	(18,649)
Property and equipment additions	**(2,949)**	(3,961)
Dividends paid	**(5,275)**	—
Canadian Content Development commitment payments	**(2,759)**	(4,973)
Repurchase of capital stock	**(9,227)**	—
Other	**(477)**	(512)
Total outflows	**$ (23,006)**	(28,095)

MANAGEMENT'S DISCUSSION & ANALYSIS

Capital Expenditures and Capital Budget

The more significant investments in property and equipment in 2010 related to AM to FM conversions launched during the year as well as general improvements and upgrades throughout the Company.

The capital expenditures for 2011 are expected to be approximately $7.0 million. The major planned expenditures include launching additional AM to FM conversions as well as general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

Financial Condition

Total Assets

Assets of $232.4 million are $0.5 million lower than 2009. This is primarily due to the broadcast licence impairment charge described above.

Liabilities and Shareholders' Equity

As at December 31, 2010 the Company had $1.4 million of current bank indebtedness outstanding and $53.2 million of long-term debt. The Company has also issued standby letters of credit totaling $0.8 million in support of certain long-term liabilities. The capital structure consisted of 44% equity ($102.0 million) and 56% debt ($130.4 million) at year end.

Liquidity

Liquidity Risk

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

Credit Facility and Covenants

The Company's syndicated credit facility of $76.5 million is a revolving credit facility. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms.

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

Cash flow from operations and funds available from the Company's $76.5 million credit facility have been the primary funding sources of working capital, capital expenditures, Canadian Content Development payments, dividend payments, debt repayments, and other contractually required payments through the past several years. As at December 31, 2010, the Company's cash generated from operating activities was $23.0 million and $23.0 million was available to be drawn upon from its credit facility.

Positive Cash Balances

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

Working Capital Requirements

As at December 31, 2010, the Company's working capital deficiency was $0.8 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line.

Future Cash Requirements

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development payments, dividends and other contractual obligations. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements. The Company's future cash requirements are summarized in a table under the heading "Contractual obligations".

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

Contractual Obligations

(thousands of Canadian dollars)		2011	2012	2013	2014	2015	thereafter	Total
Long-term debt (NOTE 8)	$	—	53,500	—	—	—	—	**53,500**
Canadian Content Development commitments (NOTE 14)		2,748	2,808	1,663	424	195	138	**7,976**
Operating leases		3,788	3,103	2,625	2,029	1,834	6,441	**19,820**
Pension funding obligation		513	514	515	516	517	5,662	**8,237**
Total contractual obligations	$	7,049	59,925	4,803	2,969	2,546	12,241	**89,533**

Contractual Obligations

The above table summarizes the Company's significant contractual obligations and commitments as at December 31, 2010 and the future periods in which the obligations become due and payable. Additional details regarding these obligations are provided in the notes to the audited consolidated financial statements, as referenced in the table.

The Company recognizes long-term debt and CCD commitments (when stations are launched) as liabilities on the balance sheet. Operating lease commitments and CCD commitments related to recently awarded licences are disclosed in notes 19 and 20 of the Company's audited consolidated financial statements.

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

Share Capital

Outstanding Share Data

The weighted average number of shares outstanding at December 31, 2010 was 32,729,000 (2009 – 32,972,000). As of this date, there are 26,373,372 Class A shares and 3,771,702 Class B shares outstanding.

Stock-Split

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

Dividends Declared

The Board of Directors declared dividends of $0.12 per share on each of its Class A shares and Class B shares. This represents a 20% increase over the 2009 amount of $0.10 per share.

Share Repurchases

In 2010, pursuant to the Normal Course Issuer Bid which expired February 8, 2011, the Company repurchased for cancellation 1,459,978 of its outstanding Class A shares for $9,227,000. As a result of these share repurchases, capital stock was reduced by $2,100,000 and retained earnings by $7,127,000. The Company did not repurchase for cancellation any of its outstanding shares during 2009. Subsequent to year end, the Company received approval under a Normal Course Issuer Bid to repurchase up to 1,388,072 Class A shares and 75,434 Class B shares. This bid expires February 8, 2012. On February 15, 2011 the Company repurchased 1,388,072 Class A shares pursuant to this Normal Course Issuer Bid for $8,745,000.

Executive Stock-Based Compensation

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 3,405,033. The number of Class A shares underlying outstanding options under the executive stock option plan is 2,665,000, of which 2,438,750 are vested, at prices ranging from $2.43 to $7.00. 740,033 options remain available to grant.

During the year, the Company granted 60,000 options (2009 – 220,000) at a weighted average exercise price of $6.77 (2009 – $6.52). The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and they expire March 4, 2015. No options were exercised in 2010 or 2009. Contributed surplus was increased by $0.3 million (2009 – $0.2 million) related to compensation expense.

Stock Appreciation Rights Plan

A total of 1,745,000 stock appreciation rights ("rights") have been granted since 2006 at a weighted-average reference price of $5.75. The rights' expiry dates range from March 2011 to February 2015. As at December 31, 2010, 270,000 rights had expired and 454,250 rights had been exercised. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the year ended December 31, 2010, the compensation expense related to the rights was less than $0.1 million (2009 – $1.5 million) bringing the total obligation to $1.0 million, of which $0.9 million was current (2009 – current obligation of $1.1 million).

Financial Instruments and Financial Risk Management

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

Interest Rate Risk Management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian chartered banks. The swap agreements expire in 2013 and involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. Interest rate fluctuations would have an impact on the Company's results. A 0.5% change in the floating interest rates would have impacted the Company's consolidated net income by less than $0.1 million for the year ended December 31, 2010. The same rate change would have impacted OCI due to changes in fair value of the interest rate swaps by approximately $0.4 million, after-tax.

The aggregate notional amount of the swap agreements was $55.0 million (2009 – $60.0 million). The aggregate fair value payable of the swap agreements was $3.0 million (2009 – $3.8 million).

As at December 31, 2009, the Company de-designated $10.0 million of the Company's interest rate swap agreements; therefore, hedge accounting no longer applies on the de-designated portion. Hedge accounting continues to apply for a notional amount of $50.0 million. Of the amount of pre-tax interest transferred to net income from OCI, $0.1 million related to the de-designated portion. After-tax, the unrealized non-cash gain related to the interest rate swaps recognized in OCI was $0.3 million (2009 – $2.8 million).

Share Price Volatility Management

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

The estimated fair value of the equity total return swap receivable at December 31, 2010 was $1.3 million (2009 – $1.5 million). Up to December 31, 2010, the Company has de-designated 724,250 of the notional Class A shares; therefore, hedge accounting no longer applies on the de-designated portion. Of the before-tax gains transferred from OCI to net income, $0.4 million related to the de-designated portion. After-tax, the unrealized non-cash loss recognized in OCI for the year was less than $0.1 million (2009 – $0.1 million gain).

Market Risk Management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at December 31, 2010, a 10% change in the share prices of each marketable security would result in a $0.4 million after-tax change in net income.

Credit Risk Management

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

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1.3 million as at December 31, 2010. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. In 2010, $0.8 million was written off which is less than 4% of the year end receivables' balance and less than 1% of revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

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

Capital Management

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

New Accounting Policies

The Company prepares its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company's accounting policies remained unchanged in 2010. As described in note 2 of the audited consolidated financial statements, effective January 1, 2009, the Company adopted the recommendations of the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: Section 3064—**Goodwill and Intangible Assets,** EIC—173 **Credit Risk and the Fair Value of Financial Assets and Financial Liabilities** and Section 3862—**Financial Instruments—Disclosures.**

Section 3064—Goodwill and Intangible Assets

This Section establishes the standard for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this Section resulted in a change in how the Company accounts for its pre-operating costs related to new station launches. Prior to adopting this policy, the Company capitalized pre-operating costs and amortized them over the initial term of the related broadcast licences. Capitalization of these costs is no longer permitted and therefore will be recorded in net income as incurred. For pre-operating balances that existed on January 1, 2009, they were accounted for retrospectively with restatement of comparative figures in accordance with Section 1506 Accounting Changes.

MANAGEMENT'S DISCUSSION & ANALYSIS

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

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

Future Accounting Policy Changes

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

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

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

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Exemption	Impact
Business Combinations	The Company will elect to not restate any prior business combinations on adoption, to the extent the assets and liabilities meet the recognition criteria under the relevant IFRS standards. Broadcast licences and goodwill resulting from a business combination are not amortized under IFRS. Upon adoption of IFRS, the Company's previously recognized accumulated amortization of broadcast licences and goodwill will be reversed resulting in an increase in broadcast licences and goodwill of $6.8 million. Deferred income tax liabilities will be increased by $1.7 million and retained earnings will be increased by $5.1 million.
Fair Value or Revaluation as Deemed Cost	Due to the extensive cost involved in revaluing its property and equipment and the fact that most arose through business combinations, the Company has chosen not to revalue property and equipment on the transition date to its fair value.
Employee Benefits	The Company has elected to charge to equity any unamortized actuarial gains/losses arising from the defined benefit pension plans. The financial impact of this election, along with other pension restatement entries, approximates a $2.1 million increase in pension liability. Deferred income tax assets will increase by $0.5 million and retained earnings will decrease by $1.6 million.
Share-based Payment Transactions	The Company will elect not to retrospectively apply the IFRS—2 **Share-Based Payments** standards for any executive stock options granted prior to November 2002 and for any options that have fully vested or have been exercised prior to transition date.

Management has identified the differences between Canadian GAAP and IFRS and has devoted considerable time and resources on those areas that will most significantly impact the Company. The following table sets forth the accounting standards that will most likely impact the Company's consolidated financial statements; however, the actual impact is still subject to audit and final amounts may differ.

The following list shows the areas that management believes will present the most significant differences in accounting treatment based on the standards in effect as at December 31, 2010. It is not a complete and exhaustive list of all the Canadian GAAP and IFRS differences. The following are the key accounting areas management believes will impact the Company's consolidated financial statements with a brief description of the likely impact.

Key accounting areas	Impact
IAS—1 **Presentation of Financial Statements**	Additional financial statement note disclosures will be required.
IAS—12 **Income Taxes**	Future income tax assets/liabilities will be referred to as deferred income tax assets/liabilities and no current classification will be permitted. The criteria to recognize and measure deferred income taxes may result in differences compared to existing future income tax calculations. In addition, under IFRS the tax basis for certain broadcast licences and related CCD obligation is nil at inception and therefore upon transition the net deferred tax liability will be reduced by $7.4 million and retained earnings will increase by $7.4 million.
IAS—16 **Property and Equipment**	Entities are required to split traditional asset categories into components based on varying useful lives which may result in changes to the amount of annual depreciation expense. The increase in retained earnings upon adoption of this standard is expected to be $0.3 million.

MANAGEMENT'S DISCUSSION & ANALYSIS

Key accounting areas	Impact
IAS – **19 Employee Benefits**	An accounting policy choice is available for actuarial gains or losses after adoption; - An entity may elect to amortize the gains/losses using the corridor approach; - It may elect to recognize the gains/losses in net income annually; or - It may elect to recognize gains/losses in OCI annually. Under IFRS, there are differences in how defined benefit plan assets are valued and how an entity measures its plan asset valuation allowance, if any. This particular standard is under review by standard setters and any modification to it may dictate the accounting treatment the Company will adopt as it relates to actuarial gains and losses.
IAS – **36 Impairment of Assets**	Impairment calculations under IFRS are done at the Cash-Generating Unit ("CGU") which is defined as a unit that has independent cash inflows (as opposed to independent net cash flows under Canadian GAAP). Calculations are done using a discounted cash flow method under a one-step approach (as opposed to a two-step approach under Canadian GAAP). Goodwill is allocated and tested in conjunction with its related CGU or group of CGU's that benefit from collective synergies. Any impairment of intangible assets that occurs after the adoption of IFRS, other than goodwill, may be reversed. Due to the higher level of detail required for CGU analyses combined with a slightly different set of guidelines, this may give rise to an increased chance of broadcast licence and goodwill impairments. Management has completed its impairment tests as at January 1, 2010 and have estimated that the impairment on transition will be $7.7 million. Deferred tax liabilities will be reduced by $1.2 million and retained earnings will be reduced by $6.5 million.
IAS—**38 Intangible Assets**	After analysing IAS 38, management has concluded that there will be no significant differences in how the Company measures its internally-developed broadcast licences under IFRS.
IAS—**39 Financial Instruments: Recognition and Measurement**	This standard will effectively be replaced by new IFRS—9 Financial Instruments effective January 1, 2013 and may pose differences in how the Company classifies, recognizes and measures its financial instruments, including how it accounts for hedges. Earlier adoption of this standard may be permitted and the Company will monitor these developments closely.
IFRS—**2 Share-based Payments**	The Company anticipates a change in how it measures executive compensation for its stock appreciation rights plan because of differences related to pricing models, vesting periods and how to account for forfeiture. It is expected that there will be no impact to retained earnings upon the adoption of this standard.
IFRS—**3 Business Combinations**	Under this standard, acquisition-related costs such as legal, accounting, and other administrative costs, cannot be capitalized; they are to be expensed as period costs. Under Canadian GAAP, these costs were included in the cost of the business combination and capitalized. In the broadcasting industry significant commitments arise on business combinations that are payable to third parties, such as CCD commitments. Currently these commitments, which are equal to 6% of the purchase price, are capitalized under Canadian GAAP, however, under IFRS, these amounts will be expensed. All business acquisitions after January 1, 2011 will be impacted.

At this time, management is on track with the conversion project. The impact of the transition has been identified for most of the categories of the IFRS conversion and the Company is in the final stages of verifying the complete impact of the transition to IFRS and will be in a position to meet the filing timelines for the first quarter of 2011.

Critical Accounting Estimates

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

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

Accounts Receivable

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

Property and Equipment

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

Impairment of Long-Lived Assets

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

Broadcast Licences and Goodwill

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

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

Canadian Content Development Commitments

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

Employee Future Benefit Plans

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

Stock-Based Compensation

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

Income Taxes

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

Off-Balance Sheet Arrangements

As at December 31, 2010, there were no off-balance sheet arrangements other than operating leases which are considered in the ordinary course of business.

Related Party Transactions

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

Controls and Procedures

Disclosure Controls and Procedures

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

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

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

As at December 31, 2010, the CEO and the CFO, based on their evaluation, concluded that DC&P were properly designed and were operating effectively.

Internal Controls over Financial Reporting

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

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

As at December 31, 2010, the CEO and the CFO, based on their evaluation, concluded that the design of ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Using the framework set forth in **Internal Control—Integrated Framework** issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), management, under the supervision of the CEO and CFO, conducted its evaluation of the effectiveness of the Company's ICFR as at December 31, 2010. Based on this evaluation, the CEO and CFO concluded that the Company's ICFR are operating effectively and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Changes in Internal Controls over Financial Reporting

During fiscal 2010, there were no changes in internal controls over financial reporting that are likely to have, or had, a material effect on the Company's ICFR.

Risks and Opportunities

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

Dependency on Advertising Revenue

The Company's revenue is derived from the sale of advertising airtime directed at retail consumers. This revenue fluctuates depending on the economic conditions of each market and the Canadian economy as a whole. The Company takes steps to mitigate this risk by retaining a degree of geographic and sectoral diversification.

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

General Competition

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

New Market Entrants

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

Impact of Regulation

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

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

Regulatory Environment—Radio Tariffs

The Company is subject to certain fees. Licence fees are payable to the CRTC, while copyright fees are payable to collection societies which include the Society of Composers, Authors and Music Publishers of Canada ("SOCAN"), Re:Sound, the Canadian Musical Reproduction Rights Agency and Society for Reproduction Rights of Authors, Composers and Publishers in Canada ("CSI"), and the Audio-Video Licensing Agency ("AVLA") based on rates set by the Copyright Board of Canada.

The collection societies can apply at any time to the Copyright Board for amendments to the fees which could affect future results. The CAB represents the

MANAGEMENT'S DISCUSSION & ANALYSIS

interests of broadcasters by representing the industry at any hearings before the Copyright Board.

The Copyright Board heard proposals in December 2008 related to five copyright tariff proposals for commercial radio. Agencies proposing these tariffs included NRCC, SOCAN, CSI and two groups that had no existing tariffs AVLA/SOPROQ (representing record labels), and Artisti (representing performers). The CAB acted on behalf of the broadcasters to oppose any tariff rate increases. The Copyright Board issued its ruling in July 2010 on certain tariffs which resulted in a $3.0 million increase in copyright fees year-to-date, of which $1.8 million related to previous years. As a result of this ruling, copyright fees as a whole have increased from 7.3% to 8.9% of revenue, subject to certain exemptions for low use and low revenue stations.

During 2010 the members of the CAB decided to undertake a major restructuring of the organization. This included an assessment of the core activities to ensure it was meeting the needs of its members in today's rapidly evolving communications environment. The members decided that the CAB would continue to exist on a smaller scale and focus its efforts on matters of central importance to the industry and provide certain administrative functions. The CAB will continue to represent private broadcasters' interests on the matter of copyright reform. The Company is actively involved in this organization with a member on the Board.

Regulatory Environment—CRTC Part II Fees

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

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

As a result of the settlement, the Company reversed the total obligation it had recognized related to CRTC Part II fees which amounted to $2.0 million. Approximately $0.5 million of this total related to fiscal 2009; the rest related to prior years.

Technological Developments

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

Potential Contingencies

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

Outlook

The Company delivered one of its most impressive years on record, posting double-digit revenue growth in its core operating segment. The Company outpaced the industry again in 2010, growing its revenue by 12% while the industry posted growth of 6%. Management is optimistic that positive growth will continue into 2011. The Company continued to increase its EBITDA margins as well, helped by closely monitoring discretionary costs. The Company also reduced its long-term debt by $3.6 million. In addition, the focused efforts placed on increasing market share were successful as the Company enjoyed strong ratings results throughout 2010.

Over the years, the Company has demonstrated steady growth in its asset base, its number of broadcast licences and its revenue. The success is attributed to the Company's long-standing operating strategy, with a clear focus on the following:

- Continuing to maximize operating margins from existing stations by:
    - Managing costs to achieve the highest possible EBITDA margins while maintaining or improving the quality of the product;
    - Growing revenue by creatively engaging advertisers, particularly local revenue, where management has a greater ability to influence buying decisions;
    - Strengthening audience share by delivering locally-focused programming that delivers music, news and information that our communities want to hear.
- Planning and preparing to launch CRTC-approved AM to FM conversions;
- Reviewing all acquisition opportunities that complement the Company's investment criteria and growth strategy; and
- Aggressively applying for licences in new communities, and seeking approval from the CRTC wherever possible, to convert additional AM stations to FM which will generate immediate top line growth.

The Company will continue to follow the same strategy in 2011 and continue to be actively involved and present at events that are important to the communities in which the Company operates. This includes contributing personnel time, funds and other advertising and promotional products that will assist in making the event successful.

The Company's management is proud that it was able to produce substantial growth in 2010. The increase in the Company's local revenue is testament to the talented sales professionals employed in communities across the country. The Company has always tied much of its past success to the connections it makes with the local communities it serves. These relationships are crucial to maintaining the level of growth that we have enjoyed over the years. The Company's solid strategic and operating foundation laid over the years, and the deep talent of the Company's radio professionals puts the Company in a solid position to continue its success in the years to come.

Non-GAAP Measure

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

	Year ended December 31	
(thousands of Canadian dollars)	2010	2009
Net income from continuing operations	**$ 10,701**	$ 14,934
Provision for income taxes	**5,434**	5,506
Gain on disposal of broadcasting licence	**—**	(5,616)
Other income	**(437)**	(2,809)
Broadcast licence impairment charge	**1,609**	—
Accretion of other liabilities	**683**	867
Interest expense	**3,639**	4,374
Depreciation and amortization expense	**3,941**	3,795
EBITDA	**$ 25,570**	21,051

This measure is not defined by GAAP and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management. Beginning in 2010, other income, which is primarily the results from investment holdings, was excluded from the determination of EBITDA. Consolidated EBITDA for 2009 has been adjusted to reflect this reclassification.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements and other information in this Annual Report are the responsibility of the management of Newfoundland Capital Corporation Limited. The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") 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, 2010, the President and Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the design and effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective to provide reasonable assurance that material information relating to the Company and its subsidiaries would have been known to them and disclosed. As at December 31, 2010, the President and Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the design and effectiveness of the Company's internal controls over financial reporting, have concluded that the Company's internal

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controls over financial reporting are adequately designed and are operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

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

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

March 3, 2011

Robert G. Steele
President and Chief Executive Officer

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Newfoundland Capital Corporation Limited
We have audited the accompanying consolidated balance sheets of Newfoundland Capital Corporation Limited as at December 31, 2010 and 2009 and the consolidated statements of income, comprehensive income, accumulated other comprehensive loss and cash flows for the years then ended, 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Newfoundland Capital Corporation Limited as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Halifax, Canada
March 3, 2011

FINANCIALS

NEWFOUNDLAND CAPITAL CORPORATION LIMITED

CONSOLIDATED BALANCE SHEETS—AS AT DECEMBER 31

(thousands of Canadian dollars)		2010	2009
ASSETS			
Current assets			
Marketable securities	$	**5,286**	4,923
Receivables		**25,589**	23,831
Prepaid expenses		**977**	778
Other assets (NOTE 7)		**1,339**	1,810
Future income tax assets (NOTE 15)		**793**	1,173
Total current assets		**33,984**	32,515
Property and equipment (NOTE 6)		**36,305**	37,248
Other assets (NOTE 7)		**4,596**	4,216
Broadcast licences (NOTES 3(A) AND 4)		**148,207**	149,641
Goodwill		**7,045**	7,045
Future income tax assets (NOTE 15)		**2,216**	2,188
	$	**232,353**	232,853
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness (NOTE 8)	$	**1,380**	99
Accounts payable and accrued liabilities		**20,875**	17,118
Dividends payable		**1,891**	3,297
Income taxes payable (NOTE 15)		**10,626**	6,836
Current portion of long-term debt (NOTE 8)		**—**	57,100
Total current liabilities		**34,772**	84,450
Long-term debt (NOTES 8 AND 14)		**53,158**	—
Other liabilities (NOTE 9)		**15,830**	18,946
Future income tax liabilities (NOTE 15)		**26,604**	25,668
Shareholders' equity		**101,989**	103,789
	$	**232,353**	232,853

Commitments and contingencies (NOTE 19)
Subsequent events (NOTE 20)
See accompanying notes to the consolidated financial statements

On behalf of the Board

H.R. Steele
Director

D. I. Matheson
Director

FINANCIALS

NEWFOUNDLAND CAPITAL CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF INCOME— FOR THE YEARS ENDED DECEMBER 31

(thousands of Canadian dollars except per share data)		2010	2009
Revenue	$	**117,399**	105,298
Operating expenses		**91,829**	84,247
Depreciation and amortization		**3,941**	3,795
Operating income		**21,629**	17,256
Interest expense (NOTE 8)		**3,639**	4,374
Accretion of other liabilities (NOTE 9)		**683**	867
Broadcast licence impairment charge (NOTE 4)		**1,609**	—
	$	**15,698**	12,015
Other income		**437**	2,809
Gain on disposal of broadcast licence (NOTE 3(C))		**—**	5,616
Earnings from continuing operations before income taxes		**16,135**	20,440
Provision for income taxes (NOTE 15)		**5,434**	5,506
Net income from continuing operations		**10,701**	14,934
Net income from discontinued operations (NOTE 5)		**—**	432
Net income	$	**10,701**	15,366
Earnings per share from continuing operations (NOTE 16)			
Basic	$	**0.33**	0.45
Diluted		**0.32**	0.44
Earnings per share (NOTE 16)			
Basic	$	**0.33**	0.47
Diluted		**0.32**	0.45

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY— FOR THE YEARS ENDED DECEMBER 31

(thousands of Canadian dollars)		2010	2009
Retained earnings, beginning of year	$	**60,616**	48,547
Net income		**10,701**	15,366
Dividends declared		**(3,869)**	(3,297)
Repurchase of capital stock (NOTE 11(C))		**(7,127)**	—
Retained earnings, end of year		**60,321**	60,616
Capital stock (NOTE 11)		**40,813**	42,913
Contributed surplus (NOTE 12)		**2,492**	2,157
Accumulated other comprehensive loss		**(1,637)**	(1,897)
Total shareholders' equity		**101,989**	103,789

See accompanying notes to the consolidated financial statements

FINANCIALS

NEWFOUNDLAND CAPITAL CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME—FOR THE YEARS ENDED DECEMBER 31

(thousands of Canadian dollars)		2010	2009
Net income	$	**10,701**	15,366
Change in fair values of cash flow hedges			
Interest rate swaps (NOTE 14(B)):			
Increase in fair value		**490**	2,947
Reclassification of interest expense (from) to net income		**(15)**	757
Credit risk adjustment		**(70)**	95
Related income tax expense		**(108)**	(1,014)
		297	2,785
Total equity return swap (NOTE 14(C)):			
Unrealized (decrease) increase in fair value		**(127)**	1,700
Reclassification to net income of realized losses (gains)		**71**	(1,613)
Related income tax recovery (expense)		**19**	(7)
		(37)	80
Other comprehensive income		**260**	2,865
Comprehensive income	$	**10,961**	18,231

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS—FOR THE YEARS ENDED DECEMBER 31

(thousands of Canadian dollars)		2010	2009
Accumulated other comprehensive loss, beginning of year	$	**(1,897)**	(4,762)
Other comprehensive income for the year		**260**	2,865
Accumulated other comprehensive loss, end of year	$	**(1,637)**	(1,897)

See accompanying notes to the consolidated financial statements

FINANCIALS

NEWFOUNDLAND CAPITAL CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS— FOR THE YEARS ENDED DECEMBER 31

(thousands of Canadian dollars)		2010	2009
Operating activities			
Net income from continuing operations	$	**10,701**	14,934
Items not involving cash			
Depreciation and amortization		**3,941**	3,795
Future income taxes (NOTE 15)		**1,200**	6,188
Gain on disposal of broadcasting licence (NOTE 3(C))		**—**	(5,616)
Broadcast licence impairment charge (NOTE 4)		**1,609**	—
Accretion of other liabilities (NOTE 9)		**683**	867
Executive stock-based compensation plans (NOTES 11(D) AND 13(C))		**401**	1,688
Unrealized (gains) on marketable securities (NOTE 14(A))		**(1,084)**	(1,754)
Other		**(26)**	(1,497)
		17,425	18,605
Change in non-cash working capital relating to operating activities from continuing operations (NOTE 18)		**5,581**	(646)
Cash flow from continuing operating activities		**23,006**	17,959
Cash flow from discontinued operations		**—**	383
		23,006	18,342
Financing activities			
Change in bank indebtedness		**1,281**	(1,904)
Long-term debt borrowings		**12,500**	6,500
Long-term debt repayments		**(16,100)**	(23,245)
Repurchase of capital stock (NOTE 11(C))		**(9,227)**	—
Dividends paid		**(5,275)**	—
Other		**(419)**	—
		(17,240)	(18,649)
Investing activities			
Property and equipment additions		**(2,949)**	(3,961)
Proceeds from disposal of broadcasting assets (NOTES 3(B) & 3(C))		**—**	9,753
Canadian Content Development commitment payments		**(2,759)**	(4,973)
Other		**(58)**	(512)
		(5,766)	307
Cash, beginning and end of year	$	**—**	—

See accompanying notes to the consolidated financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), the more significant of which are as follows:

(a) Basis of presentation and principles of consolidation

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

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

(b) Cash and cash equivalents

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

(c) Investments

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

(d) Property and equipment

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

	Broadcasting	Corporate and Other
Buildings	5%	5% – 15%
Equipment	7.5% – 33%	10% – 33%

(e) Deferred tenant inducements

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

(f) Impairment of long-lived assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Acquisitions, broadcast licences and goodwill

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

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

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

(h) Employee future benefit plans

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

The Company matches employee contributions under the defined contribution plan. The Company's portion is recorded as compensation expense as contributions are made.

The defined benefit pension obligations are valued using the projected benefit method pro-rated on services and best estimate assumptions of expected plan investment performance, salary escalation and retirement ages. Pension plan assets are valued at market value. Long-term expected rate of return and the market value of assets are used to calculate the expected return on assets. Past service costs and the excess of the aggregate net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year are amortized over the average remaining service period of active employees of six years (2009 – seven years).

(i) Stock-based compensation

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

The Company has an executive stock option plan. The proceeds from the exercise of stock options are credited to capital stock when options are exercised. When stock options

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Stock-based compensation (continued)

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

A Stock Appreciation Rights Plan ("SAR Plan"), a form of stock-based compensation, was formalized in January 2006. The Company uses the liability method to account for compensation costs associated with the SAR Plan, based on graded vesting.

Compensation expense is measured at the amount by which the quoted market value of the Company's Class A shares on the TSX exceeds the reference price as specified under the SAR Plan. More information is contained in note 13(c) of the consolidated financial statements.

(j) Revenue recognition

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

The Company, from time to time, exchanges airtime for products and services. These non-monetary transactions are measured at fair value. The Company has recorded revenue of $2,467,000 (2009 – $2,596,000) and operating expenses of $2,438,000 (2009 - $2,601,000) pursuant to non-monetary transactions.

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

(k) Income taxes

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

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

(l) Earnings per share

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Comprehensive income

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

(n) Financial instruments

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

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

*EIM – effective interest method

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

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

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

(o) Hedges

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

2 ADOPTION OF NEW ACCOUNTING POLICIES

Section 3064—Goodwill and Intangible Assets

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

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

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

Section 3862 Financial Instruments—Disclosures

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

3 BUSINESS AND LICENCE ADDITIONS AND DISPOSALS

(a) Broadcast licence additions

The Company received CRTC approval to convert four of its stations from AM to FM. As a result of these conversions, the Company became obligated in aggregate to a $175,000 commitment for CCD (2009—one conversion for $35,000). These commitments are payable over seven years. Broadcast licence value and long-term obligations were increased by the CCD commitments.

(b) Disposal of broadcast assets

On December 30, 2009, the Company disposed of the net assets associated with its two FM radio stations located in Thunder Bay, Ontario for proceeds of $4,500,000 plus $253,000 for certain working capital amounts. As a result of this disposal, the Company decreased broadcast licences by $3,376,000, property and equipment by $463,000, current assets by $450,000 and has recorded a gain on disposal aggregating $270,000 within the results from discontinued operations. Refer to note 5 for additional information.

3 BUSINESS AND LICENCE ADDITIONS AND DISPOSALS (CONTINUED)

(c) Exchange of broadcast assets

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

4 BROADCAST LICENCE IMPAIRMENT CHARGE

In the second quarter of 2010, management recorded an impairment charge of $1,609,000 related to its Winnipeg, Manitoba licences. The Company had applied to the Canadian Radio-television and Telecommunications Commission ("CRTC") for relief of certain restrictions imposed on one of its licences in Winnipeg and the application was unsuccessful. As a result, the Company performed an impairment test of the licence in Winnipeg and determined that a portion was impaired.

5 DISCONTINUED OPERATIONS

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

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

(thousands of Canadian dollars)		2009
Income from operations from discontinued operations	$	318
Gain on disposition of discontinued component (NOTE 3(B))		270
Provision for income taxes		(156)
Net income from discontinued operations	$	432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY AND EQUIPMENT

(thousands of Canadian dollars)		Cost	Accumulated depreciation	Net book value
2010				
Land	**$**	**2,430**	**—**	**2,430**
Buildings		**9,664**	**2,635**	**7,029**
Equipment		**50,906**	**24,060**	**26,846**
	$	**63,000**	**26,695**	**36,305**
2009				
Land	$	2,422	—	2,422
Buildings		9,750	2,873	6,877
Equipment		51,296	23,347	27,949
	$	63,468	26,220	37,248

7 OTHER ASSETS

(thousands of Canadian dollars)		2010	2009
Accrued pension benefit asset (NOTE 10(B))	**$**	**1,483**	1,423
Investment and advances to affiliated company, net of cumulative net losses of $165 (2009 – $131)		**2,560**	2,369
Customer-related intangible assets, net of amortization of $70 (2009 – $54)		**240**	256
Equity total return swap receivable (NOTE 14(C))		**1,339**	1,466
Other		**313**	512
		5,935	6,026
Less: Current portion			
Equity total return swap receivable		**1,339**	1,410
Other		**—**	400
Other assets current		**1,339**	1,810
Other assets non-current	**$**	**4,596**	4,216

The investment and advances to an affiliated company relates to a 29.9% interest in a company that operates an FM radio station. The investment is one in which the Company exercises significant influence and the share of net profits or losses are accounted for in net income. The original investment was $1,000,000 and the remaining balance is comprised of advances, net of the Company's share of the cumulative net profits and losses. Advances to the affiliated company bear interest at prime and have no fixed terms of repayment.

The customer-related intangible asset is being amortized on a straight-line basis over twenty years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of Canadian dollars)		2010	2009
Revolving term credit facility of $76.5 million, renewable bi-annually, maturing June 2012	$	**53,500**	57,100
Less: Current portion		**—**	(57,100)
Less: Debt transaction costs, net of accumulated amortization of $114 (2009-$nil)		**(342)**	—
	$	**53,158**	—

The Company renewed its credit facility during 2010 and it now matures in June 2012. It is management's intention to renew this revolving credit facility prior to its maturity and as a result there is no fixed repayment schedule.

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

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

Interest expense included $3,592,000 for interest on long-term debt (2009 – $4,305,000).

9 OTHER LIABILITIES

(thousands of Canadian dollars)		2010	2009
Canadian Content Development commitments related to broadcast licences awarded and acquired, net of current portion of $2,182 (2009 – $2,076) included in accounts payable and accrued liabilities	$	**4,713**	6,626
Accrued pension benefit liability (NOTE 10(B))		**6,207**	6,185
Deferred tenant inducements		**1,885**	2,091
Interest rate swap payable, net of current portion of $116 included in accounts payable and accrued liabilities (2009 – $163) and net of cumulative credit risk adjustment of $25 (2009 – $95) (NOTE 14(B))		**2,889**	3,591
Stock appreciation rights payable, net of current portion of $869 included in accounts payable and accrued liabilities (2009 – $1,091) (NOTE 13(C))		**136**	453
	$	**15,830**	18,946

CCD commitments are measured based on the amortized cost using EIM which gives rise to accretion expense which amounted to $683,000 (2009 – $867,000). EIM rates used to determine the value of CCD commitments range from 8.0% to 14.3%. The discounted CCD commitments are as follows: 2011 – $2,182,000; 2012 – $2,420,000; 2013 – $1,626,000; 2014 – $392,000; 2015 – $186,000 and thereafter $89,000. The undiscounted amount payable for CCD commitments is $7,941,000 of which $2,743,000 is current (2009 – $10,509,000; $2,895,000 current).

The Company has issued letters of credit totaling $839,000 in support of certain of these liabilities.

10 EMPLOYEE FUTURE BENEFIT PLANS

(a) Defined contribution pension plan

The Company maintains a defined contribution employee pension plan covering the majority of its employees. The Company's contributions to the defined contribution plan are based upon percentages of gross salaries. The Company's contributions to the plan during 2010 were $1,423,000 (2009 – $1,401,000).

(b) Defined benefit plans

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

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

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

	2010		2009	
	Basic Plan	SRPA	Basic Plan	SRPA
Discount rate	**4.9%**	**4.9%**	5.7%	5.7%
Expected long-term rate of return on plan assets	**7.0%**	**N/A**	7.0%	N/A
Rate of compensation increase	**4.0%**	**4.0%**	4.0%	4.0%

The effect of changing the assumptions of the discount rate from 5.7% last year to 4.9% this year has resulted in increasing the pension obligations by $507,000 for the Basic Plan and $615,000 for the SRPA. The Basic Plan had investment experience gains of $104,000 in 2010.

Plan assets for the Basic Plan, measured as at December 31, consist of:

	2010	2009
Equity funds	**63%**	60%
Fixed income funds	**28%**	32%
Money market funds	**9%**	8%
	100%	100%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE FUTURE BENEFIT PLANS (CONTINUED)

(b) Defined benefit plans (continued)

The following summarizes the Company's defined benefit plans:

(thousands of Canadian dollars)	2010 Basic Plan	2010 SRPA	2009 Basic Plan	2009 SRPA
Accrued benefit obligations				
Balance—beginning of year	**$ 4,105**	**7,911**	3,375	7,398
Current service cost	**80**	**—**	60	—
Interest cost	**232**	**411**	236	472
Benefits paid	**(157)**	**(512)**	(155)	(511)
Actuarial losses	**496**	**427**	589	552
Balance—end of year	**4,756**	**8,237**	4,105	7,911
Plan assets				
Fair value—beginning of year	**5,188**	**—**	4,499	—
Actual return on plan assets	**462**	**—**	840	—
Employee contributions	**4**	**—**	4	—
Benefits paid	**(157)**	**—**	(155)	—
Fair value—end of year	**5,497**	**—**	5,188	—
Funded status—plan surplus (deficit)	**741**	**(8,237)**	1,083	(7,911)
Unamortized net actuarial loss	**845**	**2,030**	453	1,734
Unamortized past service costs	**397**	**—**	554	—
Unamortized transitional asset	**(500)**	**—**	(667)	(8)
Accrued benefit asset (liability)	**$ 1,483**	**(6,207)**	1,423	(6,185)

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

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

(thousands of Canadian dollars)	2010 Basic Plan	2010 SRPA	2009 Basic Plan	2009 SRPA
Current service cost, net of employee contributions	**$ 76**	**—**	57	—
Interest cost	**232**	**411**	236	472
Actual return on plan assets	**(462)**	**—**	(840)	—
Difference between expected return and actual return on plan assets	**104**	**—**	530	—
Amortization of past service costs	**157**	**—**	157	—
Amortization of net actuarial losses	**—**	**131**	—	63
Amortization of transitional assets	**(167)**	**(8)**	(167)	(8)
Defined benefit plan (income) expense	**$ (60)**	**534**	(27)	527

11 CAPITAL STOCK

	Issued Shares		2010	2009
	(thousands)		(thousands of Canadian dollars)	
Capital stock (unlimited number authorized at no par value):				
Class A Subordinate Voting shares (2009 –29,199)	27,740	$	**39,905**	42,005
Class B Common shares (2009 – 3,773)	3,772		**908**	908
		$	**40,813**	42,913

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

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

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

(a) Stock split

Effective on November 25, 2009, the Class A shares and Class B shares were split on a three-for-one basis.

(b) Dividends

During 2010, the Company declared dividends of $0.12 (2009—$0.10) per Class A and Class B shares.

(c) Share repurchases

In 2010, pursuant to the Normal Course Issuer Bid which expired February 8, 2011, the Company repurchased for cancellation 1,459,978 of its outstanding Class A shares for $9,227,000. As a result of these share repurchases, capital stock was reduced by $2,100,000 and retained earnings by $7,127,000. No repurchases were made in 2009.

(d) Executive stock option plan

During the year, the Company granted 60,000 options (2009 – 220,000) at a weighted average exercise price of $6.77 (2009 – $6.52), pursuant to the executive stock option plan described in note 13(b). The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and they expire March 4, 2015. No options were exercised in 2010 or 2009. Contributed surplus was increased by $335,000 (2009 – $212,000) related to compensation expense from the Company accounting for its executive stock option plan.

12 CONTRIBUTED SURPLUS

(thousands of Canadian dollars)		2010	2009
Balance, beginning of year	$	**2,157**	1,945
Executive stock option plan compensation expense (NOTE 13(B))		**335**	212
Balance, end of year	$	**2,492**	2,157

13 STOCK-BASED COMPENSATION PLANS

(a) Share purchase plan
Compensation expense for the Company's share purchase plan was $485,000 (2009 – $448,000) and is included in operating expenses.

(b) Executive stock option plan
At year end, the number of Class A shares reserved for issuance pursuant to the executive stock option plan was 3,425,937. The number of Class A shares underlying outstanding options under the executive stock option plan was 2,650,000. 775,937 options remained available to grant. The exercise price per share is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the shares on the last trading date preceding the date of the grant or the average closing price of the preceding twenty trading days. The expiry date of the options is established by the Board of Directors. Options either vest on the date they are granted or vest over time in the following manner: twenty-five percent vest on the date of granting and twenty-five percent vest on each of the three succeeding anniversary dates. The following summarizes the Company's outstanding stock options which expire at varying dates from 2011 to 2015 and have a weighted average remaining contractual life of 2.62 years (2009 – 3.26 years).

	2010		2009	
	Number	Price*	Number	Price*
Balance, beginning of year	**2,590,000**	**$3.85**	2,370,000	$3.60
Granted	**60,000**	**6.77**	220,000	6.52
Balance, end of year	**2,650,000**	**3.91**	2,590,000	3.85
Total options vested	**2,469,000**	**3.72**	2,320,000	3.53

* weighted average exercise price

Range of exercise price	Number of options outstanding at December 31, 2010	Weighted average remaining life	Price*	Number of options exercisable at December 31, 2010	Price*
$ 2.43 – 2.67	**825,000**	**2.46**	**$2.64**	825,000	$2.64
2.80 – 2.98	**795,000**	**1.30**	**2.89**	795,000	2.89
3.89	**300,000**	**3.96**	**3.89**	300,000	3.89
5.51	**45,000**	**0.07**	**5.51**	45,000	5.51
5.83 – 7.00	**685,000**	**2.75**	**6.54**	504,000	6.61
	2,650,000	**2.62**	**3.91**	2,469,000	3.72

* weighted average exercise price

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 STOCK-BASED COMPENSATION PLANS (CONTINUED)

(b) Executive stock option plan (continued)
The compensation expense related to stock options for 2010 was $335,000 (2009 –$212,000) and is recorded in operating expenses. The fair value was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2010	2009
Weighted average risk-free interest rate	**2.59%**	2.38%
Dividend yield	**1.38%**	1.56%
Weighted average volatility factors of the expected market price of the Company's Class A shares	**28.6%**	27.8%
Weighted average expected life of the options	**5.0 years**	4.9 years
Weighted average fair value per option	**$2.02**	$1.55

(c) Stock appreciation rights plan
A total of 1,745,000 Stock Appreciation Rights ("SARs" or "rights") have been granted since 2006 at a weighted-average reference price of $5.75. The SARs' expiry dates range from March 2011 to February 2015. As at December 31, 2010, 270,000 rights had expired and 454,250 rights had been exercised. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the year ended December 31, 2010, the compensation expense related to the rights was $66,000.

During 2010, $604,000 was paid due to the exercise of SARs (2009 – $32,000). The total remaining obligation for SARs compensation is $1,005,000 (2009 – $1,544,000), of which $869,000 was current.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Estimated fair value of financial instruments (continued)

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 market for identical assets	Significant other observable inputs	Significant unobservable inputs
Cash and bank indebtedness	**$ (1,380)**	(1,380)	—	—
Marketable securities	**5,286**	5,286	—	—
Receivables	**25,589**	—	25,589	—
Equity total return swap receivable	**1,339**	—	1,339	—
Accounts payable and accrued liabilities, net of current portion of other liabilities	**(17,708)**	—	(17,708)	—
Long-term debt	**(53,500)**	—	(53,500)	—
CCD commitments	**(6,895)**	—	(6,895)	—
Interest rate swap payable	**(3,030)**	—	(3,030)	—

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

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

Financial risk management

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

Credit risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. The maximum credit exposure approximated $26,900,000 as at December 31, 2010, which included accounts receivable and the equity total return swap receivable.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,347,000 as at December 31, 2010. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% of trade receivables are

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. In 2010, $832,000 was written off which is less than 4% of the year end receivables' balance and less than 1% of revenue. The Company believes its provision for potential credit losses is adequate.

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

Market risk

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

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

The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at December 31, 2010, a 10% change in the share prices of each marketable security would result in a $440,000 after-tax change in net income.

Other income from the Company's marketable securities at December 31, 2010 was $735,000. The Company disposed of certain of the investments it held in its portfolio which triggered losses aggregating $349,000 for the year (2009 – $5,343,000). Unrealized gains on the remaining investments held at December 31, 2010 were $1,084,000 (2009 – 1,754,000).

(b) Interest rate risk management

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

For 2010 interest rate fluctuations would have very little impact on the Company's results as the total amount of the long term debt was hedged with very little fluctuation above the hedged amount. Therefore any change in the floating interest rate would have little or no impact on the Company's results. Interest rate fluctuations would have an impact on the Company's OCI. A 0.5% change in the floating interest rates would have impacted OCI due to changes in fair value of the interest rate swaps by approximately $370,000, net of tax.

In 2008, the Company entered into two interest rate swap agreements; one has a notional value of $15,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. Three former interest rate swap

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk management (continued)

agreements were terminated prior to expiry and the fair value of those agreements ($349,000 payable) was blended into the interest rate of the new $45,000,000 swap agreement. This fair value payable is being transferred from OCI to net income (as interest expense) over the remaining term of the original three swap agreements which expired between 2009 and 2011. The before-tax amount related to the $349,000 fair value payable transferred to net income from OCI for the year was $67,000 (2009 – $104,000).

Interest expense transferred to OCI from net income was $15,000 for the year (2009 – transfer of $757,000 to net income). As at December 31, 2009, the Company de-designated $10,000,000 of the $15,000,000 swap; therefore, hedge accounting no longer applies on the de-designated portion. Hedge accounting continues to apply for a notional amount of $50 million. Of the amount of interest expense transferred to net income from OCI, $36,000 related to the de-designated portion. During 2010, $5,000,000 of the $15,000,000 swap was formally terminated.

The Company has measured its own credit risk in relation to its interest rate swaps and as a result has recognized a $70,000 loss (2009 – $95,000 gain) in OCI.

The aggregate fair value payable of the swap agreements was $3,030,000 (2009 – $3,849,000).

(c) Share price volatility risk management

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

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

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

As at December 31, 2010, the Company de-designated 724,250 of the 1,275,000 notional Class A shares; therefore, hedge accounting no longer applies on the de-designated portion. Of the before-tax gains transferred from OCI to net income, $415,000 related to the de-designated portion.

The estimated fair value of the equity total return swap receivable based on the Class A shares' market price at December 31, 2010 was $1,339,000 (2009 – $1,466,000).

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity (continued)

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, CCD payments, dividends and other contractual obligations that are disclosed below.

The Company was in full compliance with its bank covenants throughout the year and at year end and continues to have access to the available funds under the existing credit facilities. The Company's revolving credit facility expires in June 2012. It is management's intention to renew this revolving credit facility prior to its maturity and as a result there is no fixed repayment schedule.

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

Obligation (thousands of Canadian dollars)		**12 months**	2012 – 2015	Thereafter
Long-term debt	$	**—**	53,500	—
Bank indebtedness		**1,380**	—	—
Accounts payable and accrued liabilities, net of current portion of Other liabilities		**17,708**	—	—
Dividends payable		**1,891**	—	—
Income taxes payable		**10,626**	—	—
CCD commitments, undiscounted (NOTES 9 & 20(B))		**2,748**	5,090	138
	$	**34,353**	58,590	138

Capital risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk (continued)

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

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, 2010.

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)		2010	2009
Statutory income tax rate		**34.0%**	35.0%
Provision based on the statutory income tax rate applied to earnings (loss) before discontinued operations	**$**	**5,486**	7,154
Increase (decrease) due to:			
Subsidiary rate differential		**(556)**	(628)
Non-taxable portion of realized and unrealized capital gains		**(64)**	(916)
Non-deductible stock-based compensation		**114**	74
Provincial capital tax and other		**488**	749
Future income tax expense (recovery) relating to the changes in corporate income tax rates		**35**	(396)
Future income tax recovery relating to the origination and reversal of temporary differences		**(69)**	(531)
	$	**5,434**	5,506
The components of the provision for income taxes on earnings from continuing operations are as follows:			
Current tax expense (recovery)	**$**	**4,234**	(682)
Future income tax expense		**1,200**	6,188
	$	**5,434**	5,506

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROVISION FOR INCOME TAXES (CONTINUED)

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

(thousands of Canadian dollars)		2010	2009
Future income tax assets			
Canadian Content Development commitments	$	**2,752**	3,480
Tax loss carryforwards		**904**	756
Employee benefit plans		**1,675**	1,834
Other		**349**	643
Future income tax liabilities			
Property and equipment		**(3,106)**	(2,875)
Broadcast licences and goodwill		**(26,169)**	(26,145)
Net future income tax liability	$	**(23,595)**	(22,307)
The net future income tax liability is included under the following captions on the consolidated balance sheets:			
Short-term future income tax assets	$	**793**	1,173
Long-term future income tax assets		**2,216**	2,188
Long-term future income tax liabilities		**(26,604)**	(25,668)
	$	**(23,595)**	(22,307)

The Company recognizes as a future income tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at year end, the Company had available loss carryforwards of $2,746,000. A future income tax asset of $904,000 (2009 – $756,000) has been recognized in respect of these carryforwards. The available loss carryforwards will expire as follows: $2,337,000 in 2026 and $175,000 in 2027 and $234,000 in 2030.

16 EARNINGS PER SHARE

(thousands)	2010	2009
Weighted average common shares used in calculation of basic earnings per share	**32,729**	32,972
Incremental common shares calculated in accordance with the treasury stock method	**1,037**	1,102
Weighted average common shares used in calculation of diluted earnings per share	**33,766**	34,074

17 SEGMENTED INFORMATION

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

Details of segment operations are set out below. Beginning in 2010 other income, which is primarily the results from investment holdings, was excluded from the determination of operating income (loss). The comparative information for 2009 has been adjusted to reflect this reclassification.

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
2010				
Revenue	**$**	**113,803**	**3,596**	**117,399**
Operating expenses		**80,790**	**11,039**	**91,829**
Depreciation and amortization		**3,657**	**284**	**3,941**
Operating income (loss)	**$**	**29,356**	**(7,727)**	**21,629**
Assets employed	**$**	**214,195**	**18,158**	**232,353**
Broadcast licences		**148,207**	**—**	**148,207**
Goodwill		**7,045**	**—**	**7,045**
Capital expenditures		**2,705**	**244**	**2,949**
2009				
Revenue	$	101,763	3,535	105,298
Operating expenses		73,951	10,296	84,247
Depreciation and amortization		3,486	309	3,795
Operating income (loss)	$	24,326	(7,070)	17,256
Assets employed	$	214,522	18,331	232,853
Broadcast licences		149,641	—	149,641
Goodwill		7,045	—	7,045
Capital expenditures		3,886	75	3,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of Canadian dollars)		2010	2009
Change in non-cash working capital relating to operating activities from continuing operations			
Marketable securities, excluding $1,084 related to unrealized gains (2009 – $1,754)	$	**721**	1,027
Receivables		**(1,758)**	(371)
Prepaid expenses		**(199)**	188
Accounts payable and accrued liabilities		**3,027**	393
Income taxes payable		**3,790**	(1,883)
	$	**5,581**	(646)
Interest paid	$	**4,131**	3,515
Income taxes paid		**446**	1,204

19 COMMITMENTS AND CONTINGENCIES

(a) Operating leases and other

The Company has total commitments of $19,820,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows:
2011 – $3,788,000; 2012 – $3,103,000; 2013 – $2,625,000; 2014 – $2,029,000;
2015 – $1,834,000 and thereafter $6,441,000.

(b) Legal claims

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

20 SUBSEQUENT EVENTS

(a) Share repurchases

Subsequent to year end, the Company received approval under a Normal Course Issuer Bid to repurchase up to 1,388,072 Class A shares and 75,434 Class B shares. This bid expires February 8, 2012. On February 15, 2011 the Company repurchased 1,388,072 Class A shares pursuant to this Normal Course Issuer Bid for $8,745,000.

(b) CCD commitment

Subsequent to year end, the Company converted one of its AM stations to FM. Upon the launch of the station, the Company became obligated for additional CCD commitments of $35,000 that will be payable over the next seven years.

ASSETS AT A GLANCE

Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Western Region					
Athabasca	94.1 The River	CKBA-FM	Classic Hits/Today's Hits	FM	94.1 MHz
Blairmore	Mountain Radio	CJPR-FM	Country	FM	94.9 MHz
Bonnyville	KOOL-FM	CJEG-FM	Contemporary Hit Radio	FM	101.3MHz
Brooks	Q105.7	CIBQ-FM	Country	FM	105.7 MHz
Brooks	101.1 The One	CIXF-FM	Hot AC	FM	101.1 MHz
Calgary	AMP 90.3 FM	CKMP-FM	CHR/Top 40	FM	90.3 MHz
Calgary	XL-103.1 FM	CFXL-FM	Classic Hits	FM	103.1 MHz
Camrose	CAM-FM	CFCW-FM	Classic Hits	FM	98.1 MHz
Camrose	CFCW	CFCW	Country	AM	790kHz
Cold Lake	K-Rock/Lakeland	CJXK-FM	Classic Rock	FM	95.3 MHz
Drumheller	Q91	CKDQ	Country	AM	910 kHz
Edmonton	Capital FM	CKRA-FM	Greatest Hits	FM	96.3 MHz
Edmonton	K-97	CIRK-FM	Classic Rock	FM	97.3 MHz
Edson	The Eagle CFXE	CFXE-FM	Classic Hits/Today's Hits	FM	94.3 MHz
Elkford	Mountain Radio	CJEV®	Country	AM	1340 kHz
Fort McMurray	K-Rock 100.5	CHFT-FM	Classic Rock	FM	100.5 MHz
Grande Cache[2]	The Eagle CFXG	CFXG®	Classic Hits/Today's Hits	FM	93.3 MHz
High Prairie	Prairie FM	CKVH-FM	Greatest Hits	FM	93.5 MHz
Hinton	The Eagle CFXH	CFXH-FM	Classic Hits/Today's Hits	FM	97.5 MHz
Jasper	The Eagle CFXP	CFXP-FM®	Classic Hits/Today's Hits	FM	95.5 MHz
Lac La Biche	Big Dog	CILB-FM	Classic Hits	FM	103.5 MHz
Lloydminster	CILR	CILR-FM	Tourism Information	FM	98.9 MHz
Lloydminster	Lloyd-FM	CKSA-FM	Country	FM	95.9MHz
Lloydminster	CBC	CKSA-TV	CBC	TV	
Lloydminster	CTV	CITL-TV	CTV	TV	
Pincher Creek	Mountain Radio	CJPV-FM®	Country	FM	92.7 MHz
Red Deer	KG Country 95.5	CKGY-FM	Country	FM	95.5 MHz
Red Deer	Z99-FM	CIZZ-FM	Classic Rock	FM	98.9 MHz
Slave Lake	92.7 Lake-FM	CHSL-FM	Classic Hits	FM	92.7 MHz
St. Paul[2]	1310 Cat Country	CHLW-FM	Country	FM	97.7 MHz
Stettler	Q14	CKSQ	Country	AM	1400 kHz
Wainwright	Key 83	CKKY	Country	AM	830 kHz
Wainwright	Wayne-FM	CKWY-FM	Classic Hits	FM	93.7 MHz
Westlock[2]	CFOK-FM	CFOK	Classic Hits/Today's Hits	FM	97.9 MHz
Wetaskiwin	W 1440	CKJR	Classic Hits	AM	1440 kHz
Whitecourt	The Rig 96.7	CFXW-FM	Rock	FM	96.7 MHz
Central Region					
Ottawa	Hot 89.9	CIHT-FM	Contemporary Hit Radio	FM	89.9 MHz
Ottawa	LiVE 88.5 FM	CILV-FM	Alternative Rock	FM	88.5 MHz
Sudbury	Rewind 103.9 FM	CHNO-FM	Classic Hits	FM	103.9 MHz
Sudbury	Hot 93.5	CIGM-FM	Contemporary Hit Radio	FM	93.5 MHz

ASSETS AT A GLANCE (CONTINUED)

Central Region (continued)

Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Winnipeg	K-Rock 100.7	CHNK-FM	Rock	FM	100.7 MHz
Winnipeg	CKJS	CKJS	Ethnic/Multicultural	AM	810 kHz

Eastern Region

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

® Repeating Signal | 1) New licence awarded by CRTC | 2) The Company received approval to convert this station to FM

BOARD OF DIRECTORS

HARRY R. STEELE, O.C.

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

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

ROBERT G. STEELE

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

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

DONALD J. WARR, F.C.A.[1]

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

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

BOARD OF DIRECTORS

DAVID I. MATHESON, Q.C.[1]

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

In 2009, David Matheson retired as counsel to the law firm of McMillan LLP; he currently continues his own corporate practice in Toronto. He has a Bachelor of Commerce degree, with a major in accounting, and a Law degree. He specialized as a tax lawyer and worked extensively with the accounting profession in tax reform and on financial reporting issues for tax purposes. He has an extensive corporate and corporate governance practice, nationally and internationally. He has served and continues to serve as a Director, a Chairman and member of the audit and governance committees for various public companies. He has written and spoken extensively, nationally and internationally, on tax-related financial reporting, corporate governance and securities law compliance. His knowledge of the Company's financial affairs and internal control and systems is extensive.

MICHAEL (MICKEY) C. MACDONALD[1]

Halifax, Nova Scotia
Director since 2006
Micco Companies,
President

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

[1] Member of the Audit and Governance Committee

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CORPORATE GOVERNANCE

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

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

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

FINANCIAL LITERACY

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

CODE OF ETHICS

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

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POLICY ON CORPORATE GOVERNANCE

Our Policy on Corporate Governance formalizes the principal corporate governance applications and practices of the Company.

WHITSTLEBLOWER POLICY

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

DISCLOSURE COMMITTEE

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

ESTABLISHED MANDATES

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

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

CORPORATE INFORMATION

OFFICERS AND MANAGEMENT

Robert G. Steele
President and Chief Executive Officer

David J. Murray
Chief Operating Officer

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

Linda A. Emerson
Assistant Corporate Secretary

Scott Broderick
Vice-President, Central Operations

Kim Day
Vice-President, Finance

Mike Keller
Vice-President, Industry Affairs

Mike Fawcett
Vice-President, Engineering

Steve Jones
Vice-President, Programming

Randy Lemay
Vice-President, Alberta Operations

Philip Reid
Vice-President, Administration

Ron Ryan
Vice-President, Atlantic Operations

Glenda Spenrath
Vice-President, Operations & Regulatory Affairs

John Steele
President, Newfoundland and Labrador Operations

Transfer agent and registrar

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

For shareholder account inquiries:

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

Investor relations contact

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

Address

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

Stock exchange listing and symbols

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

Auditors

Ernst & Young LLP

Bankers

The Bank of Nova Scotia
The Toronto-Dominion Bank

Legal Counsel

Stewart McKelvey

Annual meeting

The Annual General Meeting of Shareholders will be held at 11:00 a.m., Thursday, May 5, 2011 in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, NS.

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Newfoundland Capital Corporation Limited

745 Windmill Road
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www.ncc.ca