2012 Annual Report

Newfoundland Capital Corporation Limited

NewCap RADIO

Table of Contents

Newfoundland Capital Corporation Limited
("the Company" or "Newcap Radio") owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 86 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. The Company employs approximately 800 of the best radio professionals across the country. The majority of our stations are accessible via the Internet, allowing listeners to tune in to our stations at any time, from anywhere. The primary source of the Company's revenue is derived from the sale of advertising airtime. Newfoundland Capital Corporation Limited trades on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

SCORECARD

GOAL - GROWTH BY MAXIMIZING RETURNS FROM EXISTING ASSETS

How	Why	2012 Results
Increase revenue and manage discretionary costs to deliver strong EBITDA margins.	The Company strives to deliver strong financial results year-over-year; it strives to compel listeners to tune into its stations; and it strives to reach the highest ratings results to capture a larger share of the market.	2012 revenue surpassed 2011 which was one of the best financial years on record.
Increase listenership by providing creative and compelling programming, contests and promotions.		Again this year, the Company offered compelling programming to its listeners with the intent to surpass the needs of its listeners and advertisers.
Conduct research on a continuous basis to ensure the needs of the listeners are met and to maintain ratings positions.		Throughout the year, the Company has conducted research and adjusted its programming to maintain its strong ratings positions.

GOAL - GROWTH BY NEW LICENCES & CONVERSIONS

How	Why	2012 Results
Apply for new licences through the CRTC application process.	Increases the asset value of the Company; helps reach a larger audience base; and garners a larger market presence for the benefit of advertisers.	The Company was awarded two new FM licences in New Brunswick - one in Miramichi and one to complement its existing FM station in Fredericton.
Apply for AM to FM station conversions.		The Company converted and launched FM stations in St. Paul and Stettler, Alberta.

GOAL - GROWTH BY ACQUISITION

How	Why	2012 Results
Explore all acquisition opportunities that meet our investment criteria.	Translates into immediate new cash flows.	Two new FM stations were acquired in the prosperous Okanagan Valley area in British Columbia. Both the Kelowna and Penticton stations were acquired in late February 2012.

LETTER TO SHAREHOLDERS

We are pleased to report on the Company's financial results and the significant events achieved during our most recent fiscal year ended December 31, 2012.

Financial Results

In 2012, we continued to deliver healthy top line growth. While the 3% revenue growth may not have been as remarkable as last year's growth of 9%, we outpaced 2011 which was our best financial year on record.

Our earnings before interest, taxes, depreciation and amortization ("EBITDA") were less favourable than last year's results due to non-recurring items that impacted both 2012 and 2011. Excluding these items, EBITDA was $0.8 million or 2% higher than last year.

The Company's profit of $10.9 million was lower than last year due to numerous factors discussed later in this Annual Report. Normalizing profit to exclude these items, profit would have been $1.3 million or 7% higher than last year.

Significant Events

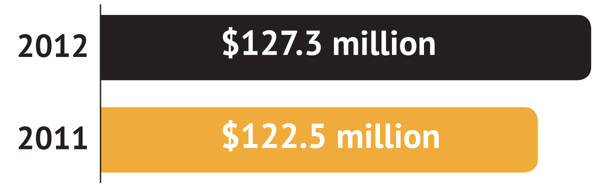
We continued to expand our radio presence in 2012. We purchased two FM radio stations in the Okanagan Valley of British Columbia which is a very prosperous region with great growth potential.

We made presentations to the Canadian Radio-television and Telecommunications Commission ("CRTC") for new FM broadcast licences during the year and we were awarded two new licences in New Brunswick: one in Miramichi and one to complement our existing FM station in Fredericton. Miramichi is a new market for us and we expect both stations to be on the air by spring 2013.

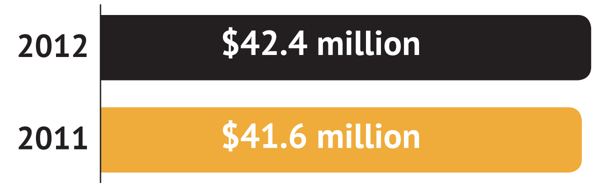
We converted AM stations to FM in St. Paul and Stettler, Alberta. Conversions allow the Company to provide a better service to listeners and customers and as such allow the Company to realize immediate revenue increases.

In late 2012, the CRTC approved our application to purchase The Eagle, an FM radio station in Sydney, Nova

Broadcasting Revenue



Broadcasting EBITDA



Scotia, which gives us a second FM in that market. A second FM allows significant synergies for the Company and we are happy to expand our services to that community. This transaction was completed in early January 2013.

Throughout 2012, the Company continued to enjoy strong audience ratings. These ratings results are important revenue drivers.

2013 Outlook

Broadcasting revenue thus far in 2013 looks strong and is tracking ahead of 2012. We will continue to closely monitor costs in order to generate the highest EBITDA margins possible.

As evidenced by our expansionary activity in 2012, we are a Company that is continually moving forward and expanding. At the same time, we have always strived to maximize shareholder returns. To that end, we are exploring the possibility of divesting of our broadcasting assets in Western Canada. The assets consist of 32 radio stations, 6 repeater licences and 2 TV stations. If the Company is able to reach an agreement at a value the Company considers appropriate, the use of proceeds will be determined by the Board of Directors in the best interests of the Company and its shareholders. This may include reinvesting in geographic areas closer to its base in Atlantic Canada, reducing debt or returning capital to its shareholders. We would like to caution investors as no agreement is in place to sell these assets and there is no certainty that any transaction will result from this current process.

Final Comments

We have developed an operating strategy over the years that has consistently delivered positive results and we intend to continue operating with this same vision. We must thank our employees, the best and most talented individuals in the industry. It is because of their dedication and hard work that we continue to succeed. Our thanks also extend to our long-term shareholders for their interest in the Company and to the Board of Directors who continue to provide us with strong leadership and support.

Sincerely,

Rob Steele

President and Chief Executive Officer

Harry Steele

Chairman

FOSTERING CANADIAN TALENT

Together, the radio industry and the music industry have a responsibility to create the stars of tomorrow. Newcap Radio takes this very seriously, and develops emerging artists in Canada through two of the largest annual talent search contests in the country.

In Calgary, the AMP Rock Star project just completed its seventh year. Each year the AMP Big Rock Star has provided competing artists with over $0.5 million in financial support to help them build careers in the music industry. During the AMP Rock Star finale in January 2013, all six Rock Star winners from previous competitions and four finalists competing for the Rock Star title performed live in front of a very enthusiastic audience for over 5 hours. From the AMP Rock Star project in 2012 emerged the band Hey Bombshell who scored a significant cross-Canada hit with “The Single Life”. The 2013 winner, pictured above, was Trinity Bradshaw.

In only seven years, LiVE 88.5 FM in Ottawa has injected over $3 million into the Canadian music scene through the LiVE 88.5 Big Money Shot. This money has helped hundreds of artists generate viable careers in the music industry. Not only does the LiVE 88.5 Big Money Shot provide financial support to emerging artists, but the contest also brings in experienced luminaries from across the industry to work with the competing bands.

Previous winners, including Hollerado and Autumns Cannon, have had multiple hit songs that have been heard all across Canada and around the world.

Newcap Radio has a tradition of offering generous Canadian Content Development packages when applying to the CRTC for new licences and for business acquisitions. These funds go towards supporting organizations like FACTOR, The Starmaker Fund, and countless other music related projects that help Canadian artists expand their careers. Since 2004, Newcap Radio has proudly contributed close to $28 million toward Canadian Content Development, directly benefiting Canadian artists.

GIVING BACK

Newcap Radio has a long tradition of helping to make the communities we serve better places to live, work, and grow. Once again in 2012 our stations proudly partnered with community groups and associations all across Canada for the benefit of the communities they serve. Here are just a few samples of how Newcap Radio has helped in 2012:

Run Curtis Run

Curtis Hargrove is a resident of Cold Lake, Alberta whose run across Canada was aimed to raise $1 million for the Stollery Children's Hospital in Edmonton. He started his run in Newfoundland in the spring and by September he made his way to Cold Lake. The Lakeland's K-Rock 95.3 celebrated his return with an event called "Run Curtis Run". That event raised over $70,000. The station then followed this event up with a fundraiser a few days later as he was getting ready to leave town. Curtis was "arrested" (he had actually been arrested in Quebec earlier that summer for running on a public road!) and "bail" was set at $55,000. Listeners came together to raise the money in just 5 hours.

Zaidee Jensen Fundraiser

A visually impaired mother succumbed to her injuries after a tragic accident leaving behind her visually impaired husband and their two children. The Terry, Bill & Steve Morning Show on Edmonton's K-97 immediately began planning a one-day fundraiser to help generate funds to benefit the family. In only one day, over $13,000 was raised for the family.

LiVE 88.5 Going Green

Ottawa's LiVE 88.5 is Canada's first and only carbon neutral radio station. The station is committed to planting trees in its listening area to offset the carbon footprint of the station. So far, 5,700 trees have been planted with the assistance of the local Rideau Valley Conservation Authority.

The KOOL Skool Drive & The C103 Back-To-School Bus

Halifax school children went back to class this fall with the supplies they needed through the generous support of KOOL-FM listeners through "The KOOL Skool Drive". Similarly in Moncton, an entire bus was stocked to the rim with school supplies thanks to C103's "Back-to-School Bus".

CONTESTS & PROMOTIONS

In marketing, attention is king. You absolutely need to grab the attention of your customers! Newcap Radio is no stranger to attention-grabbing promotions and stunts that get people talking… and listening! Our radio stations have offered its listeners some interesting contests and promotional initiatives in 2012. Here are but a few.

The Great Pumpkin Drop

What happens when an 800-pound pumpkin is dropped from six stories above the earth? An absolutely mind-blowing explosion of a pumpkin! That's what Q104 listeners in Halifax found out on Halloween 2012 when an 800-pound gourd was hoisted six stories above a parking lot. With hundreds of listeners watching (and listening), and safety and security crews on high alert, the beast plummeted to the ground and sent seeds scattering everywhere. While some stations gave out candy for Halloween, Q104 gave out an incredible visual that won't soon be forgotten!

Throw Mama On A Plane

Not every promotion is controversial! Some are feel-good stories, like Sudbury's Rewind 103.9 FM who conducted a "Throw Mama On A Plane" contest. One lucky mom won a dream vacation to New York City. Flying in comfort and style, the lucky winner spent two nights at a luxurious downtown hotel and had tickets to see a Broadway show, along with some spending money.

Win A Baby! Babies!

In 2011 we told you about Ottawa's the New Hot 89.9 "Win a Baby!" contest, which garnered national attention. Hot 89.9 funded the cost of in vitro fertilization for 5 lucky couples. The New Hot 89.9 team is proud to say that 4 new babies by three couples were brought into the world. A fourth couple just announced their pregnancy news while the fifth couple is still in treatment and feeling optimistic. We call Win A Baby! the contest that keeps on giving. While the contest initially generated controversy, the positive impact on the lives of our winners (and their new children) is undeniable.

Swap Your Wife For A New Life

Calgary's AMP Radio asked its audience to undertake the ultimate relationship test with "Swap Your Wife For A New Life". Five couples would compete, swapping their wife for another's to win a new life worth over $300,000, including a condo, a car, shopping sprees, and more. Each couple competed in various relationship challenges. In the end, the competing couple separated (at last reuniting the real couples) and had to divvy up the assets acquired during their time together. Who gets the condo? Who gets the car? This reality-driven promotion was named by an industry expert as "the most compelling promotion in North American radio in 2012".

Management's Discussion & Analysis

Table of Contents

MANAGEMENT'S DISCUSSION & ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the annual audited consolidated financial statements ("annual financial statements"), prepared as of February 28, 2013, and related notes contained in this 2012 Annual Report.

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

The Company's annual financial statements for the year ended December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts herein are expressed in Canadian dollars. The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on February 28, 2013. Disclosure contained in this document is current to this date, unless otherwise stated.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

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

PROFILE

Newfoundland Capital Corporation Limited owns and operates Newcap Radio, which is one of Canada's leading radio broadcasters with 86 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking. It is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 70 FM and 16 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in to our stations at anytime from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

SIGNIFICANT 2012 FINANCIAL HIGHLIGHTS

While consolidated revenue growth in 2012 of 3% was not as high as last year's 9% growth rate, the Company outpaced 2011 which was one of the best years on record. Consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") was down 4% because of higher operating expenses caused by fluctuations in the share-based compensation plans. Profit was also lower than last year as a result of various factors explained below. The Company's core operating segment, Broadcasting, delivered strong results increasing revenue by 4% and EBITDA by 2%. This is a brief summary of the 2012 financial highlights, details of which follow in the Analysis of Consolidated Results section:

- 3% increase in consolidated revenue due to a combination of organic growth and incremental revenue in the Broadcasting segment;
- 4% decrease in consolidated EBITDA[1] due to higher operating expenses in the Corporate and Other segment arising from share-based compensation plans;
- Decrease in 2012 profit due to fluctuations in share-based compensation plans, impairment charges and unrealized mark-to-market losses in the investment portfolio. This was in contrast to last year's impairment reversals, gains on disposals and mark-to-market investment portfolio unrealized gains;
- The Company declared dividends at the rate of $0.15 per share during 2012, consistent with 2011; and
- The Company repurchased a total of 1,161,768 of its outstanding Class A Subordinate Voting Shares for $9.3 million.

[1] *Refer to page 39 "Non-IFRS Accounting Measure"*

SIGNIFICANT 2012 OPERATIONAL HIGHLIGHTS

- Subsequent to year end, the Company completed the acquisition of an FM radio station in Sydney, Nova Scotia, for total cash consideration of $2.4 million, thereby adding a second FM station to complement its existing FM station in that city. The Company previously held a 29.9% interest in this station.

- Subsequent to year end, the Company announced that it was exploring the possible sale of its Western Canadian broadcasting assets which are located primarily in Alberta. The assets consist of 32 radio stations, 6 repeater licences and 2 television stations. At this point, there is no agreement in place to sell these assets and there is no certainty that any transaction will result from the process.

- May – the CRTC awarded the Company the two licences it had applied for in New Brunswick, one in Miramichi and the other in Fredericton. Management intends to launch these new stations in spring 2013.

- February – completed the acquisition of broadcasting assets related to FM licences in Penticton and Kelowna, British Columbia for cash consideration approximating $7.0 million.

- February – received CRTC approval to convert the Stettler, Alberta AM station to FM. The FM country station was launched in early October.

- January – launched the St. Paul, Alberta AM to FM conversion.

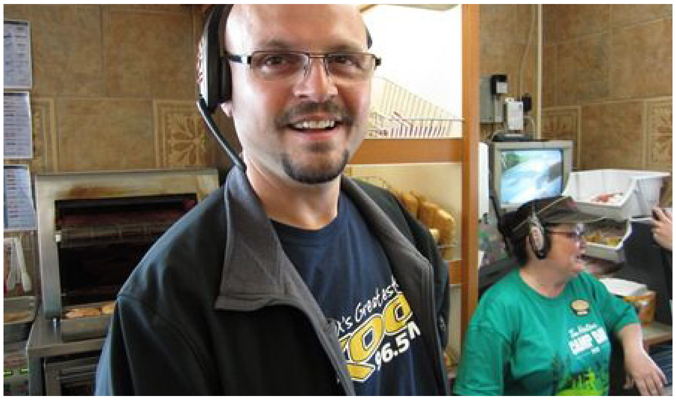
SIGNIFICANT 2011 OPERATIONAL HIGHLIGHTS

- November – the Company disposed of its radio stations in Winnipeg, Manitoba for cash consideration of approximately $5.7 million.

- May – the Company's Slave Lake, Alberta operation was destroyed by fire. Within 24 hours, Lake-FM was broadcasting temporarily from an outside location disseminating information to those most impacted by the fire. Today, Lake FM is broadcasting from its new facilities assisting in whichever way it can to rebuild the community.

- Conversions from AM to FM stations were completed in Brooks, St. Paul, Westlock and Grand Cache, Alberta throughout 2011.

- The Company launched repeater licences in North West River and Springdale, Newfoundland & Labrador during the year.



FINANCIAL PERFORMANCE REVIEW

Selected Financial Highlights

Since 2010, revenue has grown by 13% and this was predominantly due to organic growth in the broadcasting segment. Below are some of the other significant factors that affected profit from continuing operations between 2010 and 2012:

- 2010 – The Company recorded a broadcast licence impairment charge of $1.2 million.
- 2011 – In addition to the Company's considerable operational success in 2011, the Company reversed broadcast licence impairment charges by $5.8 million, recognized gains of $1.3 million from its equity total return swap, recognized $1.3 million of mark-to-market investment gains and recognized a $1.3 million gain on the disposal of the Winnipeg stations.
- 2012 – The Company recorded net impairment charges of $6.6 million, $2.2 million of unrealized mark-to-market losses on its investment portfolio and expensed $1.1 million related to the extension of the expiry dates of executive stock options.

Due to the disposal of broadcasting assets in Winnipeg, Manitoba on November 28, 2011, the financial results of operations from this component and its gain on disposal were treated as discontinued operations in the comparative figures. The impact of discontinued operations was to reduce revenue by $1.3 million in 2011 and by $1.4 million in 2010 and to reduce profit from continuing operations by $3.5 million in 2011 and to increase profit from continuing operations by $0.3 million in 2010.

Selected Financial Highlights

(thousands of Canadian dollars, except share data)		**2012**	2011	2010
Revenue	$	**130,948**	126,606	116,041
Profit from continuing operations		**10,884**	22,615	11,898
Profit		**10,884**	26,112	11,629
Weighted average number of outstanding shares				
– basic *(thousands)*		**29,759**	30,397	32,729
– diluted *(thousands)*		**30,908**	31,532	33,916
Earnings per share				
Profit from continuing operations				
– basic	$	**0.37**	0.74	0.36
– diluted		**0.35**	0.72	0.35
Profit				
– basic		**0.37**	0.86	0.35
– diluted		**0.35**	0.83	0.34
Total assets		**232,396**	233,940	231,388
Long-term debt		**47,904**	40,211	53,158
Dividends declared				
Class A shares		**0.15**	0.15	0.12
Class B shares		**0.15**	0.15	0.12

Consolidated Financial Results of Operations

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

	Three months ended December 31			Twelve months ended December 31		
(thousands of Canadian dollars, except per share data and percentages)	**2012**	2011	% change	**2012**	2011	% change
Revenue	**$ 35,458**	34,700	2%	**130,948**	126,606	3%
Operating expenses	**(24,360)**	(24,054)	1%	**(97,108)**	(91,351)	6%
EBITDA	**11,098**	10,646	4%	**33,840**	35,255	(4%)
Depreciation and amortization	**(1,051)**	(1,021)	3%	**(4,168)**	(3,947)	6%
Interest expense	**(801)**	(934)	(14%)	**(3,577)**	(4,300)	(17%)
Accretion of other liabilities	**(39)**	(58)	(33%)	**(276)**	(447)	(38%)
Other income (expense)	**82**	1,070	(92%)	**(2,610)**	1,487	n/a
Impairment recovery (charge)	**905**	2,911	(69%)	**(6,583)**	2,911	n/a
Profit from continuing operations before provision for income taxes	**10,194**	12,614	(19%)	**16,626**	30,959	(46%)
Provision for income taxes	**(2,789)**	(3,217)	(13%)	**(5,742)**	(8,344)	(31%)
Profit from continuing operations	**7,405**	9,397	(21%)	**10,884**	22,615	(52%)
Profit from discontinued operations	**-**	3,578	n/a	**-**	3,497	n/a
Profit	**$ 7,405**	12,975	(43%)	**10,884**	26,112	(58%)
EPS[(1)] from continuing operations						
– basic	**$ 0.25**	0.31		**0.37**	0.74	
– diluted	**0.24**	0.30		**0.35**	0.72	
EPS – basic	**0.25**	0.43		**0.37**	0.86	
– diluted	**0.24**	0.41		**0.35**	0.83	

[(1)] *EPS defined as earnings per share*

ANALYSIS OF CONSOLIDATED RESULTS

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

Revenue

Consolidated revenue of $35.5 million in the fourth quarter improved by 2% or $0.8 million and for the year ended December 31, 2012, consolidated revenue of $130.9 million was 3% or $4.3 million higher than 2011. This improvement came from a combination of organic growth and incremental revenue from the acquired properties in British Columbia within the Broadcasting segment.

Operating Expenses

Consolidated operating expenses for the fourth quarter were $24.4 million, 1% or $0.3 million higher than 2011 while for the year ended December 31, 2012, they were $97.1 million, 6% or $5.8 million higher. The increase in the quarter was in line with higher variable costs associated with higher revenue. During 2012, as a result of extending the expiry dates of executive stock options the Company was required to recognize a non-cash compensation expense of $1.1 million. In addition, gains from the equity total return swap hedge, which offset operating expenses, were lower by $1.2 million this year. This year-over-year variance of $2.3 million was the cause for the increase in Corporate and Other segment operating expenses. Higher year-to-date Broadcasting operating costs also contributed to the overall increases in operating expenses.

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

Fourth quarter consolidated EBITDA was $11.1 million, 4% or $0.5 million better than the same time last year due to higher revenue in the quarter. Year-to-date EBITDA of $33.8 million was 4% or $1.4 million lower than 2011 due to higher operating expenses. Excluding the impact of operating expenses within the Corporate and Other segment in 2012 and 2011, as outlined above, EBITDA would have been $0.8 million or 2% higher than 2011.

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

Depreciation and Amortization

Depreciation and amortization expense was $1.1 million in the quarter, 3% or less than $0.1 million higher than 2011, while year-to-date depreciation and amortization of $4.2 million was 6% or $0.2 million higher than last year. These increases were not significant overall and were a result of a higher asset base in 2012.

Interest Expense

Interest expense in the quarter was $0.8 million, $0.1 million or 14% lower than 2011 and year-to-date interest was $3.6 million, $0.7 million or 17% lower than last year. The Company reduced its overall interest rates in the year by re-negotiating its credit facility which resulted in a reduction of interest rates by as much as 75 basis points, depending on certain financial ratios. In addition, the Company extended one of its interest rate swap agreements reducing the effective rate of the majority of the debt by approximately 200 basis points.

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 less than $0.1 million and $0.3 million year-to-date was lower than the respective comparative periods as a result of the expense being higher in the initial years of payment.

Other Income (Expense)

Other income (expense) generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. In the fourth quarter of 2012, the Company recognized mark-to-market unrealized gains of $0.1 million compared to $1.1 million in the fourth quarter of 2011. For the year ended December 31, 2012, the mark-to-market unrealized losses were $2.2 million as compared to mark-to-market unrealized gains of $1.3 million in 2011. In addition, as part of the acquisitions in British Columbia, the Company recognized a transaction gain and acquisition-related CCD costs in Other income (expense) which net to just under $0.1 million year-to-date; details on this are included in note 6 of the annual financial statements.

Impairment Recovery (Charge)

As a result of conducting the annual impairment test as at October 31 of each year, in the fourth quarter the Company reversed $0.9 million of a previously recognized broadcast licence impairment charge in one of its Alberta cash-generating units ("CGU's"). This is in contrast to last year's impairment reversal of $2.9 million, also related to certain Alberta CGU's. The improvement in financial performance of the Alberta CGU's and the decreasing cost of debt are the main factors contributing to the impairment charge reversals. In 2011, an additional $2.9 million of impairment charges were reversed as a result of the sale of the Winnipeg radio stations and this was presented in profit from discontinued operations (details of which are in note 8 of the annual financial statements).

Year-to-date, the Company's net impairment charges of $6.6 million were made up of the $0.9 million impairment charge reversal discussed above and a total of $7.5 million of impairment charges related to the Company's television CGU in Lloydminster, Alberta. Last year's impairment reversals of $2.9 million were all recorded in the fourth quarter and were outlined above. In the third quarter of 2012, the CRTC announced it was systematically phasing out the television Local Programming Improvement Fund between September 2012 and August 31, 2014. This CRTC decision impacts the financial results of the television CGU in Lloydminster by permanently reducing annual EBITDA by as much as $1.0 million by 2014 and beyond. As a result, management performed a detailed impairment analysis of this CGU and management concluded that the CGU was impaired and the impairment charge was required to be recognized immediately. The recoverable amounts of the broadcast licences and certain capital assets were lower than the carrying values, resulting in impairment charges. The full value of the television broadcast licences, aggregating $7.0 million, was written off as an impairment charge. In addition to the broadcast licence impairment charge, the Company also had impairment related to the television property and equipment amounting to $0.5 million.

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

Provision for Income Taxes

The provision for income tax expense was lower than 2011 due to lower pre-tax profit. The effective income tax rate was 27% in the fourth quarter and 35% for the year; the statutory income tax rate was 31%. In the fourth quarter, the effective rate was lower than the statutory rate primarily because of the lower effective rates for the Company's wholly-owned subsidiaries. The year-to-date effective rate was higher than the statutory rate primarily due to the non-taxable portion of unrealized capital losses and impairment charges. A more detailed analysis can be found in note 16 of the annual financial statements.

Discontinued Operations

In 2011, the Company disposed of its net assets associated with the two FM radio stations located in Winnipeg, Manitoba and therefore, the financial results of operations from this component and the gain on its disposal were treated as discontinued operations in the consolidated income statements. Refer to note 8 of the annual financial statements for additional details on discontinued operations.

Profit

Profit for the fourth quarter of $7.4 million was $5.6 million lower than the same quarter last year. In the fourth quarter, the Company reversed an impairment charge of $0.9 million (2011 – $5.8 million) and did not have any gain on disposal while in the same period last year the Company recognized a gain on disposal of $1.3 million.

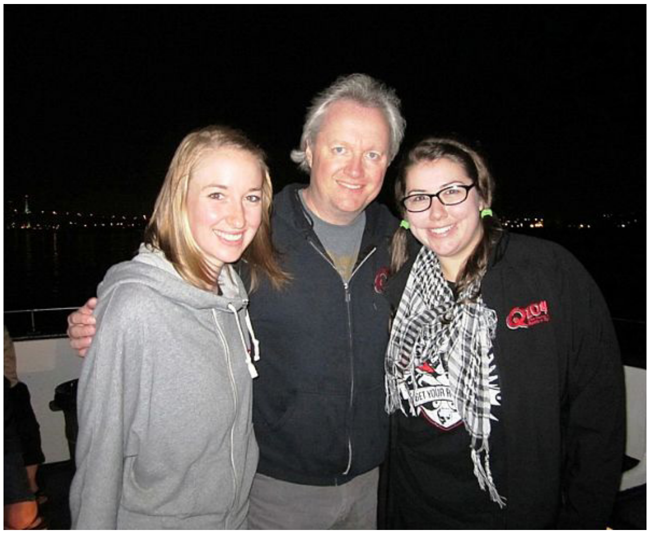
There were several factors impacting profit year-over-year which at $10.9 million was $15.2 million lower than 2011. This year, the Company recorded net impairment charges of $6.6 million in contrast to the reversal of $5.8 million of impairment charges in 2011. Also in 2011 the Company recognized a $1.3 million gain on disposal. Finally, during 2012 the Company recorded unrealized mark-to-market investment portfolio losses of $2.2 million compared to unrealized gains of $1.3 million in 2011. Normalizing profit to exclude these items, profit in the year would have exceeded 2011 by $1.3 million or 7%.

Other Comprehensive Income ("OCI")
OCI consists of the net change in the fair value of the Company's cash flow hedges (interest rate swaps) and actuarial gains and losses arising from the Company's defined benefit pension plans. The after-tax unrealized income recorded in OCI for the interest rate swaps was $0.3 million in the fourth quarter (2011 – $0.3 million) and $1.1 million year-to-date (2011 – $0.3 million). Net actuarial losses of less than $0.1 million were recorded in OCI for the fourth quarter and year-to-date (2011 – $0.9 million in the fourth quarter and year-to-date).

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operation of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue, segment EBITDA and operating profit because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 20 of the annual financial statements.

Broadcasting Segment



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

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

Broadcasting Segment

(thousands of Canadian dollars, except percentages)	Three months ended December 31			Twelve months ended December 31		
	2012	2011	% change	**2012**	2011	% change
Revenue	$ **34,601**	33,688	3%	**127,262**	122,462	4%
Operating expenses	**(21,588)**	(21,189)	2%	**(84,888)**	(80,897)	5%
EBITDA	$ **13,013**	12,499	4%	**42,374**	41,565	2%
EBITDA margin	**38%**	37%	3%	**33%**	34%	(3%)

Revenue

Fourth quarter revenue was $34.6 million, 3% or $0.9 million higher than the same quarter last year while year-to-date revenue of $127.3 million was 4% or $4.8 million higher compared to 2011. Organic (same-station) growth was 1% in the quarter and 2% year-to-date. The remaining growth was due to incremental revenue from the acquired stations in Penticton and Kelowna, British Columbia. The Central Canada radio properties led the way in revenue growth for the Company in 2012.

During 2012 national advertising for the Company was 9% higher than 2011 and local advertising increased by 1%. Ratings results in December 2012 continued to be strong with many of the Company's stations in the 13 markets surveyed ranking within the top three spots. These ratings results have had a positive effect on revenue, particularly national revenue which is heavily weighted on ratings.

Overall, the industry's average growth rate in 2012 was 2.5%; the Company posted positive growth of 4% year-over-year. Forward revenue bookings are looking solid so far in 2013 and management anticipates that it will be able to continue generating positive revenue growth in 2013.

Operating Expenses
Broadcasting operating expenses for the quarter were $21.6 million, 2% or $0.4 million higher than 2011. The increase in the fourth quarter was a result of higher variable costs in line with higher revenue.

For the year, operating expenses of $84.9 million were $4.0 million or 5% higher than 2011. Expenses in 2012 were higher due to the incremental operating costs related to the stations acquired in British Columbia, increased advertising spending and higher variable costs associated with higher revenue.

EBITDA
Fourth quarter broadcasting EBITDA of $13.0 million was 4% or $0.5 million better than 2011 and year-to-date EBITDA of $42.4 million was 2% or $0.8 million better than last year. Revenue growth was the primary contributor to higher EBITDA.

The 2012 EBITDA and EBITDA margins were again amongst the highest since the Company began focusing purely on broadcasting. Strong revenue led the way to improved EBITDA while the Company's continued efforts to effectively manage its fixed costs and discretionary spending also played a part in controlling expenses to strengthen EBITDA. Margins were slightly lower for the year due to the expansion into British Columbia which will take time to mature.

Corporate and Other Segment

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

Corporate and Other Segment

(thousands of Canadian dollars, except percentages)		Three months ended December 31 **2012**	2011	% change	Twelve months ended December 31 **2012**	2011	% change
Revenue	$	**857**	1,012	(15%)	**3,686**	4,144	(11%)
Operating expenses		**(2,772)**	(2,865)	(3%)	**(12,220)**	(10,454)	17%
EBITDA	$	**(1,915)**	(1,853)	(3%)	**(8,534)**	(6,310)	(35%)

Revenue

Lower hotel revenue due to reduced occupancy caused revenue in the fourth quarter and year-to-date to be lower than the same periods last year.

Operating Expenses

Operating expenses of $2.8 million in the fourth quarter were slightly lower than last year by $0.1 million or 3%. Year-to-date operating expenses of $12.2 million were $1.8 million or 17% higher than 2011. During 2012, as a result of extending the expiry dates of executive stock options the Company was required to recognize a non-cash compensation expense of $1.1 million. In addition, gains from the equity total return swap hedge, which offset operating expenses, were lower by $1.2 million this year. These year-over-year variances were the cause for the increase in annual Corporate and Other segment operating expenses.

Additional information on executive stock options is contained in note 12 of the annual financial statements and details on the equity total return swap are disclosed in note 15(c).

EBITDA

EBITDA was lower than the same quarter last year because of the reduction in revenue. The decrease on a year-to-date basis was due to higher expenses as explained above.

SELECTED QUARTERLY FINANCIAL INFORMATION
(unaudited except totals)

The Company's revenue and operating results vary, depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is lower. The fourth quarter tends to be a period of higher retail spending. Positively impacting the 2012 fourth quarter profit was the $0.9 million reversal of a previous broadcast licence impairment charge. The third quarter was adversely impacted by impairment charges of $7.5 million related to the television CGU in Lloydminster. Finally, in the first and second quarters of 2012, profit was negatively affected by the expense related to the extension of stock option expiry dates and unrealized mark-to-market losses. Positively impacting the 2011 fourth quarter were the reversal of previous broadcast licence impairment charges and the mark-to-market unrealized gains. The results from discontinued operations have been excluded from the 2011 comparative figures for revenue.

			Quarter		
(thousands of Canadian dollars, except share data)	**1st**	**2nd**	**3rd**	**4th**	**Year**
2012					
Revenue	**$ 27,466**	**34,325**	**33,698**	**35,459**	**130,948**
Profit (loss)	**781**	**3,759**	**(1,061)**	**7,405**	**10,884**
EPS – basic	**0.03**	**0.13**	**(0.04)**	**0.25**	**0.37**
– diluted	**0.02**	**0.12**	**(0.04)**	**0.24**	**0.35**
2011					
Revenue	$ 26,553	33,448	31,905	34,700	126,606
Profit	2,908	5,895	4,334	12,975	26,112
EPS – basic	0.10	0.19	0.14	0.43	0.86
– diluted	0.09	0.19	0.14	0.41	0.83

CASH FLOWS

The following table depicts the major sources of cash inflows and outflows in 2012 and 2011 by operating activities, financing activities and investing activities.

	Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Funds generated from continuing operations, before undernoted items	**$ 10,601**	9,921	**31,519**	31,602
Change in working capital from continuing operations	**(2,621)**	(230)	**1,255**	514
Interest and income taxes paid from continuing operations	**(1,517)**	(914)	**(11,581)**	(4,213)
Net cash flows from discontinued operations	**–**	42	**–**	33
Net cash flows from operating activities	**6,463**	8,819	**21,193**	27,936
Net long-term debt (repayments) borrowings	**(5,000)**	(11,500)	**7,500**	(13,000)
Dividends paid	**–**	–	**(4,492)**	(3,711)
Repurchase of capital stock	**–**	–	**(9,343)**	(8,744)
Other, including change in bank indebtedness	**(683)**	63	**(1,128)**	261
Net cash flows from financing activities	**(5,683)**	(11,437)	**(7,463)**	(25,194)
Acquisition of broadcasting assets	**–**	–	**(6,978)**	–
Property and equipment additions	**(649)**	(1,596)	**(4,237)**	(5,679)
Proceeds from disposal of broadcasting assets	**–**	5,699	**–**	5,699
Canadian Content Development commitment payments	**(305)**	(1,561)	**(2,797)**	(2,800)
Other	**174**	76	**282**	38
Net cash flows from investing activities	**$ (780)**	2,618	**(13,730)**	(2,742)

Cash Flows – 2012

In the fourth quarter, cash flows from operating activities of $6.5 million were used to repay $5.0 million of long-term debt, purchase property and equipment for $0.6 million and pay $0.3 million of CCD commitments. Year-to-date, cash flows from operating activities of $21.2 million, combined with $7.5 million of net debt borrowings, were used to repurchase capital stock for $9.3 million, purchase broadcasting assets in British Columbia for $7.0 million, pay dividends of $4.5 million, purchase property and equipment for $4.2 million and pay CCD commitments in the amount of $2.8 million.

Cash Flows – 2011

In the fourth quarter, cash flows from operating activities of $8.8 million combined with the proceeds from disposal of broadcasting assets of $5.7 million were used to repay net $11.5 million of long-term debt, purchase property and equipment for $1.6 million and pay $1.6 million of CCD commitments. Year-to-date, cash flows from operating activities of $27.9 million combined with the proceeds from disposal of broadcasting assets of $5.7 million were used to repay net $13.0 million of long-term debt, repurchase shares for $8.7 million, purchase property and equipment for $5.7 million, pay dividends totaling $3.7 million and pay $2.8 million of CCD commitments.

Capital Expenditures and Capital Budget

The more significant investments in property and equipment in 2012 related to AM to FM conversions launched during the year as well as general improvements and upgrades throughout the Company.

Capital expenditures for 2013 are expected to approximate $5.5 million. The major planned expenditures include the capital costs associated with launching the new FM licences in Miramichi and Fredericton, New Brunswick 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 were $1.5 million lower than 2011 primarily due to the reduction in the market value of the Company's marketable securities.

Liabilities, Shareholder's Equity and Capital Structure

As at December 31, 2012 the Company had $0.4 million of current bank indebtedness outstanding and $47.9 million of long-term debt. The Company has also issued standby letters of credit totaling $0.8 million in support of certain long-term liabilities. The capital structure consisted of 51% equity ($119.1 million) and 49% debt ($113.3 million) at year end.

LIQUIDITY

Liquidity Risk

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

Credit Facility and Covenants

In June 2012 the Company extended the expiry date of its $90.0 million syndicated revolving credit facility to June 30, 2014 and reduced its interest rates by as much as 75 basis points depending on the Company's total debt ratio. This renewal, combined with the recently extended interest rate swap, described later in the *Interest Rate Risk Management* section, reduced the effective rate on the majority of the Company's debt by approximately 250 basis points.

The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include seeking prior approval for acquisitions or disposals in excess of a quantitative threshold. The Company was in compliance with the covenants throughout the year and at year end.

Cash flow from operations and funds available from the Company's $90.0 million credit facility have been the primary funding sources of working capital, capital expenditures, Canadian Content Development payments, dividend payments, debt repayments, and other contractually required payments through the past several years.

Positive Cash Balances

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

Working Capital Requirements

As at December 31, 2012, the Company's working capital deficiency was $1.0 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from the undrawn portion of its debt facility, the Company will be able to meet all other current cash requirements as they arise. In addition, if cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line.

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

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

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's significant contractual obligations and commitments as at December 31, 2012 and the future periods in which the obligations become due and payable. Additional details regarding these obligations are provided in the notes of the annual financial statements, as referenced in the table.

Contractual Obligations

(thousands of Canadian dollars)	2013	2014	2015	2016	2017	thereafter	Total
Long-term debt *(note 9)*	$ –	48,000	–	–	–	–	**48,000**
CCD commitments, undiscounted *(note 15)*	1,817	790	444	310	231	309	**3,901**
Operating leases *(note 19)*	4,400	3,500	3,000	2,700	2,200	4,200	**20,000**
Pension funding obligation	518	528	534	539	549	5,454	**8,122**
Total contractual obligations	$ 6,735	52,818	3,978	3,549	2,980	9,963	**80,023**

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

The Company also has obligations with respect to its employee benefit plans, as discussed in note 11 of the annual financial statements. The Supplementary Retirement Pension Arrangements ("SRPAs") provide benefits above and beyond that which can be provided under the Income Tax Act, and therefore are not pre-funded. As a result, the Company's annual funding obligation approximates $0.5 million. There are no similar obligations under the Company's Basic Plan as it is fully funded.

SHARE CAPITAL

Outstanding Share Data

The weighted average number of shares outstanding for the year ended December 31, 2012 was 29,759,000 (2011 – 30,397,000). As of this date, there are 25,396,667 Class A Subordinate Voting Shares (“Class A shares”) and 3,771,702 Class B Common Shares (“Class B shares”) outstanding.

Dividends Declared

In 2012, the Board of Directors declared dividends of $0.15 (2011 – $0.15) per share on each of its Class A shares and Class B shares.

Share Repurchases

In 2012, pursuant to the Normal Course Issuer Bid which expired February 12, 2013, the Company repurchased for cancellation 1,161,768 of its outstanding Class A shares for $9.3 million. In 2011, the Company repurchased 1,388,072 of its outstanding Class A shares for $8.7 million.

SHARE-BASED COMPENSATION PLANS

Executive Stock Option Plan

As of this date, the number of Class A shares reserved for issuance pursuant to the executive stock option plan is 3,219,970. The number of Class A shares underlying outstanding options under the executive stock option plan is 2,530,000, of which 2,380,000 are vested, at prices ranging from $2.43 to $7.46. 689,970 options remain available to grant.

During 2012, no executive stock options were granted or exercised. In 2011, 270,000 options were granted at an exercise price of $7.30. During 2011, 390,000 options were exercised at a weighted-average exercise price of $3.66.

Compensation expense related to the executive stock option plan in the year was $1.2 million (2011 – $0.1 million). The increase in the expense was a result of the Toronto Stock Exchange, shareholders and Board of Directors’ approval to extend the expiry dates of 2,140,000 stock options by 5 years. The year-to-date non-cash accounting expense recognized as a result of these extensions was $1.1 million.

Stock Appreciation Rights Plan

A total of 1,745,000 stock appreciation rights (“rights”) have been granted since 2006 at a weighted-average reference price of $5.75. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. The rights’ expiry dates range from April 2014 to February 2015. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company’s Class A shares and the reference price.

During 2012, 255,000 rights (2011 – 595,750) were exercised for cash proceeds of $0.3 million (2011 – $0.7 million). No rights were granted in 2012 or in 2011. For the year ended December 31, 2012, the compensation expense related to the rights was $0.2 million (2011 – $0.3 million). The obligation related to the rights was $0.5 million (2011 – $0.6 million), of which $0.4 million was current (2011 – $0.5 million).

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

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Interest Rate Risk Management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian Chartered Banks. The aggregate notional amount of the swap agreements was $55.0 million (2011 – $55.0 million). In the second quarter of 2012, the Company completed a blend and extend of its $45.0 million swap agreement to extend the expiry date of the agreement to May 2017 and to take advantage of lower interest rates. The interest rate on this swap has been reduced by approximately 200 basis points. Additional details on this are provided in note 15(b) of the annual financial statements. The $10.0 million swap expires in June 2013.

The swap agreements involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the fair value of the interest rate swaps by approximately $0.4 million. Less than $0.1 million of this would have been recorded in OCI with the remaining flowing through profit due to the fact that the $45.0 million swap was ineffective for accounting purposes as at December 31, 2012.

The aggregate fair value payable of the swap agreements was $1.1 million (2011 – $2.4 million). The net change in OCI was income of $1.1 million (2011 – $0.3 million).

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

During 2011 the Company wound-up a portion of its equity total return swap and amended the terms of the swap agreement extending the expiry date to July 2013. This amended instrument, however, does not qualify for hedge accounting and as such, gains and losses are recorded immediately through profit. The recognition of gains and losses through OCI no longer applies.

The estimated fair value of the equity total return swap receivable at December 31, 2012 was $0.7 million (2011 – $0.9 million).

Year-to-date, realized before-tax gains recorded in profit were $0.2 million (2011 – $1.3 million). The large gain in 2011 arose because, during the first half of 2011, the Company wound-up 805,000 of the then 1,275,000 notional Class A shares under the swap and as a result significant gains were recognized in profit. The Company is gradually unwinding this swap and as at December 31, 2012, 233,600 notional shares remained outstanding. The swap expires in July 2013.

Market Risk Management
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at December 31, 2012, a 10% change in the share prices of each marketable security would result in a $0.3 million after-tax change in profit.

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

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1.1 million as at December 31, 2012. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 90% 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 2012, $0.4 million was written off which is less than 2% of the year end receivables' balance and less than 1% of revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

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

Capital Management

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

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

ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 7 Financial Instruments: Disclosures

The Company adopted the amendments to IFRS 7 on January 1, 2012. The amendments served to increase the disclosure requirements for transactions involving transfers of financial assets. Since the Company has not had transactions involving transfers of financial assets there has been no impact on the Company's current disclosures.

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

Effective January 1, 2012, the Company adopted the amendments to IAS 12. Deferred Tax: Recovery of Underlying Assets (the amendments) concerned the determination of deferred tax on investment property measured at fair value. Because the Company has no investment property, the adoption of these amendments did not impact the financial results or disclosures.

FUTURE ACCOUNTING STANDARDS

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

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Instruments
The amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will affect disclosure only and will be adopted by the Company on January 1, 2013.

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

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

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

Separate Financial Statements (amendments to IAS 27)

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

IFRS 13 Fair Value Measurement

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

Employee Benefits (amendments to IAS 19)

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Accounts Receivable

The Company makes a provision for doubtful accounts based on a market-by-market and client-by-client basis to provide for possible uncollectible accounts. This requires judgment on the part of local station management and prior collection history.

Property and Equipment

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

Impairment of Non-Financial Assets

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

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGU's, including a sensitivity analysis, are further explained in note 7 of the annual financial statements.

Canadian Content Development Commitments

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

Employee Future Benefit Plans

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

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, considers the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Further details about the assumptions used are given in note 11 of the annual financial statements.

Share-Based Compensation

The Company's share-based compensation plans (SARS and executive stock options) are measured at fair value using the Black-Scholes option-pricing model. Management must determine the most appropriate inputs to the option-pricing model including the expected life, volatility and dividend yield and make assumptions about them. Further details about the assumptions used are given in note 12 of the annual financial statements.

Fair Value of Financial Instruments

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

Income Taxes

Deferred income tax assets and liabilities are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to be recovered, settled or reversed. The Company recognizes the benefits of capital and non-capital loss carryforwards as deferred tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

Non-Monetary Transactions

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

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2012, there were no off-balance sheet arrangements other than operating leases which are considered in the ordinary course of business.

RELATED PARTY TRANSACTIONS

These annual financial statements include the financial statements of the two wholly-owned subsidiaries: Newcap Inc. and the Glynmill Inn Incorporated. Any balances owing or receivable between these entities are eliminated on consolidation. Related party transactions during the year were reviewed and there were no material transactions and all transactions were at fair market value.

SUSBEQUENT EVENTS

Business Acquisition

Subsequent to year end, the Company acquired 70.1% of the shares of 3221809 Nova Scotia Limited which operates an FM radio station, entitled The Eagle, in Sydney, Nova Scotia. The Company previously held 29.9% of the shares. Cash consideration was $2.4 million.

The major assets acquired include the broadcast licence and goodwill, valued at $2.4 million and $1.3 million, respectively. Details of this transaction are fully disclosed in note 21 of the annual financial statements.

Potential Disposal of Broadcasting Assets in Western Canada

Subsequent to year end, the Company announced that it was exploring the possible sale of its Western Canadian broadcasting assets which are located primarily in Alberta. The assets consist of 32 radio stations, 6 repeater licences and 2 television stations. At this point, there is no agreement in place to sell these assets and there is no certainty that any transaction will result from the process.

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, 2012, the CEO and the CFO, based on their evaluation, concluded that DC&P were properly designed and were operating effectively.

Internal Controls over Financial Reporting

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

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

As at December 31, 2012, the CEO and the CFO, based on their evaluation, concluded that the design of ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Using the framework set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), management, under the supervision of the CEO and CFO, conducted its evaluation of the effectiveness of the Company's ICFR as at December 31, 2012. Based on this evaluation, the CEO and CFO concluded that the Company's ICFR are operating effectively and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Changes in Internal Controls over Financial Reporting

During fiscal 2012, there were no changes in internal controls over financial reporting that are likely to have, or had, a material effect on the Company's internal controls over financial reporting.

RISKS, UNCERTAINTIES AND OPPORTUNITIES

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

Impact of Regulation

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

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

Regulatory Environment – Radio Tariffs

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

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

Copyright fees as a whole are currently 8.9% of revenue, subject to certain exemptions for low use and low revenue stations.

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

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

In July 2012, the CRTC announced that it was systematically phasing out the television Local Programming Improvement Fund ("LPIF") between September 2012 and August 31, 2014. This will impact the future financial results of the Company's television stations operated in Lloydminster, Alberta. The Company first began receiving LPIF funds in 2009. Based on historical results, the removal of LPIF funding will gradually reduce annual EBITDA over the next three years, and by 2014 and beyond, the annual EBITDA reduction will be approximately $1.0 million. As disclosed earlier under the heading "Consolidated Financial Review – Impairment Charge (Recovery)", the Company recorded an impairment charge of $7.5 million as a result of this CRTC announcement. Management is examining its options to help mitigate this decline in EBITDA.

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

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

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

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

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

Broadcast Licences and Goodwill

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

Tax Matters

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

Defined Benefit Pension Plans

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

Potential Contingencies

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

OUTLOOK

Broadcasting revenue thus far in 2013 looks strong and is tracking ahead of 2012. The Company continues to manage fixed and discretionary costs to deliver strong EBITDA and EBITDA margins and this operating philosophy will be maintained throughout 2013.

In addition to monitoring and growing organic operations, in early 2013, the focus is on the launch of the two new FM stations in Miramichi and Fredericton, New Brunswick. These stations are expected to be on-air sometime in the spring of 2013.

Over the years, the Company has focused strongly on expansionary activity. The Company has also always strived to maximize shareholder value and to that end, the Company is exploring the possible divestiture of its broadcasting assets in Western Canada. Should the Company reach an agreement at a value it considers appropriate, the use of proceeds will be determined by the Board of Directors in the best interests of the Company and its shareholders. This may include reinvesting in geographic areas closer to its base in Atlantic Canada, reducing debt or returning capital to its shareholders. At this time, management would like to caution investors as no agreement is in place to sell these assets and there is no certainty that any transaction will result from this current process.

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

Non-IFRS Accounting Measure

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

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

		Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)		**2012**	2011	**2012**	2011
Profit from continuing operations	**$**	**7,405**	9,397	**10,884**	22,615
Provision for income taxes		**2,789**	3,217	**5,742**	8,344
Impairment (recovery) charge		**(905)**	(2,911)	**6,583**	(2,911)
Other (income) expense		**(82)**	(1,070)	**2,610**	(1,487)
Accretion of other liabilities		**39**	58	**276**	447
Interest expense		**801**	934	**3,577**	4,300
Depreciation and amortization expense		**1,051**	1,021	**4,168**	3,947
EBITDA	**$**	**11,098**	10,646	**33,840**	35,255

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

Consolidated Financial Statements
Table of Contents

Management's Responsibility for Financial Information

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

The Company has designed and maintains high quality systems of internal controls over financial reporting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. As at December 31, 2012, 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, 2012, the President and Chief Executive Officer and the Chief Financial Officer of the Company, after evaluating the design and effectiveness of the Company's internal controls over financial reporting, have concluded that the Company's internal controls over financial reporting are adequately designed and are operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

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

On behalf of the shareholders, the consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with International Financial Reporting Standards. Their opinion is presented hereafter.

February 28, 2013

Robert G. Steele	**Scott G.M. Weatherby**
President and Chief Executive Officer	Chief Financial Officer and Corporate Secretary

Independent Auditors' Report

To the Shareholders of Newfoundland Capital Corporation Limited

We have audited the accompanying consolidated statement of financial position of Newfoundland Capital Corporation Limited as at December 31, 2012 and 2011 and the consolidated income statement, statements of comprehensive income, changes in shareholders' equity, and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Newfoundland Capital Corporation Limited as at December 31, 2012 and 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants

Halifax, Canada
February 28, 2013

Newfoundland Capital Corporation Limited

Consolidated Statements of Financial Position

(thousands of Canadian dollars)	Notes		**December 31, 2012**	December 31, 2011
Assets				
Current assets				
Marketable securities	15	$	**4,244**	6,588
Receivables	15		**26,971**	25,466
Prepaid expenses			**1,281**	865
Other assets	5 & 15(c)		**736**	889
Total current assets			**33,232**	33,808
Non-current assets				
Property and equipment	4		**35,251**	35,015
Other assets	5		**2,292**	2,546
Broadcast licences	7		**151,830**	151,712
Goodwill	7		**6,109**	6,109
Deferred income tax assets	16		**3,682**	4,750
Total assets		$	**232,396**	233,940
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness	9	$	**429**	1,557
Accounts payable and accrued liabilities	10 & 12		**16,174**	17,640
Dividends payable	13		**2,625**	2,730
Income taxes payable	16		**15,008**	17,214
Total current liabilities			**34,236**	39,141
Non-current liabilities				
Long-term debt	9		**47,904**	40,211
Other liabilities	10 &15(b)		**12,026**	14,990
Deferred income tax liabilities	16		**19,102**	19,932
Total liabilities			**113,268**	114,274
Shareholders' equity			**119,128**	119,666
Total liabilities and shareholders' equity		$	**232,396**	233,940

Commitments and contingencies (note 19)
Subsequent events (note 21)
See accompanying notes to the consolidated financial statements

On behalf of the Board

H.R. Steele
Director

D.I. Matheson
Director

Newfoundland Capital Corporation Limited

Consolidated Income Statements – For the years ended December 31

(thousands of Canadian dollars, except per share data)	Notes		2012	2011
Revenue		$	**130,948**	126,606
Operating expenses			**(97,108)**	(91,351)
Depreciation and amortization			**(4,168)**	(3,947)
Interest expense	9		**(3,577)**	(4,300)
Accretion of other liabilities	10		**(276)**	(447)
Other income (expense)	6 & 15(a)		**(2,610)**	1,487
Impairment recovery (charge)	4 & 7		**(6,583)**	2,911
Profit from continuing operations before provision for income taxes			**16,626**	30,959
Provision for income tax (expense) recovery				
Current			**(5,955)**	(6,905)
Deferred			**213**	(1,439)
	16		**(5,742)**	(8,344)
Profit from continuing operations			**10,884**	22,615
Profit from discontinued operations	8		**–**	3,497
Profit		$	**10,884**	26,112
Earnings per share from continuing operations	17			
– basic		$	**0.37**	0.74
– diluted			**0.35**	0.72
Earnings per share	17			
– basic		$	**0.37**	0.86
– diluted			**0.35**	0.83

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited

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

(thousands of Canadian dollars)	Notes		2012	2011
Profit		$	**10,884**	26,112
Other comprehensive income (loss):				
Cash flow hedges:				
Net movement on interest rate swaps	15(b)		**1,569**	459
Income tax expense	16		**(424)**	(122)
			1,145	337
Defined benefit plan actuarial losses	11		**(66)**	(1,252)
Income tax recovery	16		**20**	388
			(46)	(864)
Other comprehensive income (loss)			**1,099**	(527)
Comprehensive income		$	**11,983**	25,585

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited

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

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

See accompanying notes to the consolidated financial statements

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

(thousands of Canadian dollars)		Issued share capital (note 13)	Contributed surplus (note 14)	Accumulated other comprehensive loss	Retained earnings (note 13)	Total
Balance at January 1, 2011	$	40,813	2,176	(2,202)	66,396	107,183
Profit		–	–	–	26,112	26,112
Other comprehensive loss		–	–	(527)	–	(527)
Total comprehensive income		–	–	(527)	26,112	25,585
Dividends		–	–	–	(4,550)	(4,550)
Repurchase of share capital		(2,002)	–	–	(6,742)	(8,744)
Exercise of executive stock options		968	(884)	–	–	84
Executive stock option compensation expense		–	108	–	–	108
Balance at December 31, 2011	**$**	**39,779**	**1,400**	**(2,729)**	**81,216**	**119,666**

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited

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

(thousands of Canadian dollars)	Notes		2012	2011
Operating Activities				
Profit from continuing operations before provision for income taxes		$	**16,626**	30,959
Items not involving cash				
Depreciation and amortization			**4,168**	3,947
Share-based compensation expense	12		**1,386**	393
Accretion of other liabilities	10		**276**	447
Impairment charge (recovery)	4 & 7		**6,583**	(2,911)
Unrealized losses (gains) on marketable securities	15(a)		**2,222**	(1,302)
Other			**258**	69
			31,519	31,602
Net change in non-cash working capital from continuing operations	18		**1,255**	514
			32,774	32,116
Interest paid			**(3,420)**	(4,067)
Income taxes paid			**(8,161)**	(146)
Net cash flow from continuing operations			**21,193**	27,903
Cash flow from discontinued operations			**–**	33
Net cash flow from operating activities			**21,193**	27,936
Financing Activities				
Change in bank indebtedness			**(1,128)**	177
Long-term debt borrowings			**14,500**	9,500
Long-term debt repayments			**(7,000)**	(22,500)
Dividends paid	13		**(4,492)**	(3,711)
Repurchase of capital stock	13		**(9,343)**	(8,744)
Proceeds from exercise of stock options	13		**–**	84
			(7,463)	(25,194)
Investing Activities				
Acquisition of broadcasting assets	6		**(6,978)**	–
Property and equipment additions	4		**(4,237)**	(5,679)
Proceeds from disposal of broadcasting assets	8		**–**	5,699
Canadian Content Development commitment payments			**(2,797)**	(2,800)
Other			**282**	38
			(13,730)	(2,742)
Cash, beginning and end of period		$	**–**	–

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements - December 31, 2012 and 2011

1. REPORTING ENITTY

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

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on February 28, 2013.

2. BASIS OF PREPARATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC') interpretations issued and effective or issued and early adopted as at the date of these statements (February 28, 2013). The policies set out below have been consistently applied to all the periods presented.

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

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

Significant accounting estimates and assumptions (continued)

Impairment of Non-Financial Assets
Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in note 7.

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

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, consider the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Further details about the assumptions used are given in note 11.

Share-based compensation
The Company's share-based compensation plans (Stock Appreciation Rights Plan ("SARS") and Executive Stock Option Plan) are measured at fair value using the Black-Scholes option-pricing model. Management must determine the most appropriate inputs to the option-pricing model including the expected life, volatility and dividend yield and make assumptions about them. Further details about the assumptions used are given in note 12.

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

2. BASIS OF PREPARATION (continued)

Significant accounting estimates and assumptions (continued)

Income Taxes
Deferred income tax assets and liabilities are measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to be recovered, settled or reversed. The Company recognizes the benefits of capital and non-capital loss carryforwards as deferred tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize deferred tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in future periods could be affected.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations, broadcast licences and goodwill (continued)
To receive approval to launch a new broadcast licence pursuant to applications made by the Company to the Canadian Radio-television and Telecommunications Commission ("CRTC"), the CRTC may require the Company to commit to fund Canadian Content Development ("CCD") during the initial term of the licence over and above the prescribed annual requirements. These obligations are considered to be part of the costs related to the award of new broadcast licences and are recognized as a liability upon the launch of the new broadcast licence. Any other direct costs related to the award and launch of new broadcast licences are also capitalized as broadcast licences. CCD that arises from a business acquisition is considered a transaction cost and is expensed in the income statement.

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

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

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

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

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

Investment in associate
The Company's investment in its associate is accounted for using the equity method. The associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate is carried in the balance sheet (as non-current "other assets") at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate (continued)
included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
The estimated useful lives of the assets are as follows:

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

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

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

Income taxes

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Deferred income taxes* (continued)**

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

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

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating segments

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations.

Revenue recognition

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

The Company, from time to time, exchanges airtime for products and services. These non-monetary transactions are measured at the fair value of the consideration received or receivable, or if this cannot be established, at the fair value of the airtime provided.

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

Financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company's financial instruments have been classified as either assets and liabilities at fair value through profit or loss ("FVTPL"), loans and receivables or other liabilities. The following table illustrates the classification of the Company's financial instruments and the related measurement basis for accounting purposes:

Asset/Liability	Classification	Measurement
Cash and bank indebtedness	FVTPL	Fair value
Marketable securities	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Canadian content development commitments (grouped in Other liabilities)	Other liabilities	Amortized cost

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Cash and marketable securities are able to be settled in the near term; therefore, they meet the criteria required to classify them as FVTPL. Instruments classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recorded immediately in net income. The fair value of marketable securities is based on the quoted share prices in active markets. Additional information is contained in note 15(a).

Loans, receivables and other liabilities

Loans, receivables and other liabilities are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Financial instruments classified as loans and receivables and other liabilities are measured using amortized cost using the effective interest rate method ("EIM") less any impairment. Under the EIM, interest income and expense are calculated and recorded using the effective interest rate which is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument to the fair value at initial recognition. Interest income and expense related to financial assets and financial liabilities are being recorded using the EIM.

Impairment of financial instruments

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial instruments (continued)
will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension benefits (continued)

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Adoption of new accounting standards

IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
The Company adopted the amendments to IFRS 7 on January 1, 2012. The amendments served to increase the disclosure requirements for transactions involving transfers of financial assets. Since the Company has not had transactions involving transfers of financial assets there has been no impact on the Company's current disclosures.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)
Effective January 1, 2012, the Company adopted the amendments to IAS 12. Deferred Tax: Recovery of Underlying Assets (the amendments) concerned the determination of deferred tax on investment property measured at fair value. Because the Company has no investment property, the adoption of these amendments did not impact the financial results or disclosures.

New standards and interpretations issued but not yet effective

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

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Instruments
The amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with *IAS 32 Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will affect disclosure only and will be adopted by the Company on January 1, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

4. PROPERTY AND EQUIPMENT

Impairment allowance

As a result of a July 2012 CRTC announcement regarding the systematic phase out of the television Local Programming Improvement Fund, more fully described in note 7, the Company assessed whether there existed impairment on some of its property and equipment related to its one television CGU located in Lloydminster, Alberta. The carrying value of certain tower-related equipment was compared to the recoverable amount, and the carrying value exceeded the recoverable amount by approximately $500,000. The Company therefore recognized an impairment charge of $500,000 on the impairment recovery (charge) line on the income statement.

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

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

(thousands of Canadian dollars)	Land	Building structures	Major building components	Radio equipment	Towers and transmitters	Computer hardware, software and peripherals	Furniture and fixtures	Leasehold improvements	Vehicles	**Total**
Cost										
Balance at January 1, 2011	$2,344	3,282	4,295	15,822	22,009	4,582	5,383	7,803	626	**66,146**
Additions	65	379	342	1,068	2,399	691	292	57	386	**5,679**
Disposals	-	-	-	(131)	(57)	(133)	(38)	(46)	(32)	**(437)**
Discontinued operations *(note 8)*	(108)	(201)	(208)	(111)	(876)	(130)	(59)	-	-	**(1,693)**
Balance at December 31, 2011	2,301	3,460	4,429	16,648	23,475	5,010	5,578	7,814	980	**69,695**
Additions	-	173	190	603	2,071	454	388	347	11	**4,237**
Additions through business acquisitions *(note 6)*	-	-	-	188	639	20	56	209	28	**1,140**
Impairment allowance	-	-	-	-	(500)	-	-	-	-	**(500)**
Disposals	-	-	-	-	(1,225)	-	-	-	(148)	**(1,373)**
Balance at December 31, 2012	$2,301	3,633	4,619	17,439	24,460	5,484	6,022	8,370	871	**73,199**
Accumulated depreciation										
Balance at January 1, 2011	$ -	(356)	(1,742)	(9,969)	(8,905)	(3,752)	(3,643)	(2,599)	(494)	**(31,460)**
Depreciation for the year	-	(39)	(177)	(1,166)	(1,192)	(469)	(334)	(546)	(82)	**(4,005)**
Disposals	-	-	-	73	23	129	19	23	31	**298**
Discontinued operations *(note 8)*	-	13	47	55	221	118	33	-	-	**487**
Balance at December 31, 2011	-	(382)	(1,872)	(11,007)	(9,853)	(3,974)	(3,925)	(3,122)	(545)	**(34,680)**
Depreciation for the year	-	(44)	(182)	(1,196)	(1,202)	(490)	(349)	(582)	(121)	**(4,166)**
Disposals	-	-	-	-	761	-	-	-	137	**898**
Balance at December 31, 2012	$ -	(426)	(2,054)	(12,203)	(10,294)	(4,464)	(4,274)	(3,704)	(529)	**(37,948)**
Net book value										
At December 31, 2011	$2,301	3,078	2,557	5,641	13,622	1,036	1,653	4,692	435	**35,015**
At December 31, 2012	2,301	3,207	2,565	5,236	14,166	1,020	1,748	4,666	342	**35,251**

5. OTHER ASSETS

(thousands of Canadian dollars)		2012	2011
Other assets - current			
Equity total return swap receivable *(note 15(c))*	$	**736**	889
Other assets – non-current			
Investment in and advances to associate, net of cumulative profit of $33 (2011 – $7) and net of impairment allowance of $275 (2011 – $275)	$	**2,026**	2,193
Other		**266**	353
	$	**2,292**	2,546

Investment in and advances to associate
The investment in and advances to an associate company relates to a 29.9% interest in a company that operates an FM radio station. The investment is one in which the Company exercises significant influence and the share of net profits or losses are accounted for in profit, using the equity method. The original investment was $1,000,000 and the remaining balance is comprised of advances, net of the Company's share of the cumulative net profits and losses and impairment charges. Advances to the associate, aggregating $1,425,000, bear interest at prime and have no fixed terms of repayment. The associate company's reporting period coincides with the Company's reporting period.

Impairment charge – investment in affiliate
In 2011, an impairment loss of $275,000 was recognized in other income (expense) on the income statement because the recoverable amount of the investment was lower than the carrying value as at December 31, 2011. The recoverable amount was based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is based upon historical inflation rates. The pre-tax discount rate applied to cash flow projections was 10%. The impairment issue arose in 2011 because of lowered profitability expectations in future, which gave rise to a lower value-in-use calculation. The same assumptions used for measuring value-in-use for broadcast licences apply for assessing impairment of the investment and therefore, additional details on key assumptions and sensitivity are included in note 7.

6. ACQUISITION OF BROADCASTING ASSETS

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

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

6. ACQUISITION OF BROADCASTING ASSETS (continued)

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

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

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

Earnings have been included in profit since the date of acquisition. Revenue and net losses recognized to date in the income statements related to these acquisitions, including the gain and acquisition-related costs, were $1,884,000 and $227,000, respectively. Pro-forma revenue and net losses for the combined entity, as though the acquisition date for both transactions had been January 1, 2012 and including the gain and acquisition-related costs, would have been approximately $2,206,000 and $296,000, respectively, due to restructuring costs incurred to date.

Acquisition-related costs

In order for the CKKO-FM acquisition to be approved by the CRTC, the Company had to commit to additional CCD payments of $320,000, payable in equal instalments over seven years. This financial liability is recognized on the statement of financial position as *other liabilities* and its fair value was determined based on discounting cash flows using the effective interest method ("EIM"). Under EIM, accretion expense is calculated and recorded using the effective interest rate (5.2%) that exactly discounts estimated future cash payments throughout the seven year life of the CCD commitment to the fair value at initial recognition. On the acquisition date, the amount of CCD expensed in *other income (expense)* in the income statement was $262,000.

7. GOODWILL, BROADCASTING LICENCES AND OTHER ASSETS

Goodwill and broadcast licences are tested for impairment annually on October 31 and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill and broadcast licences having indefinite useful lives was based on value-in-use calculations as of the fiscal years ended December 31, 2012 and December 31, 2011. A discounted cash flow model is used to determine the Company's value-in-use. The key assumptions used to determine the recoverable amount for the different CGUs is discussed below with respect to the most recently completed impairment calculation as of the fiscal years ended December 31, 2012 and December 31, 2011.

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

(thousands of Canadian dollars)		Goodwill	Broadcast Licences
Cost			
Balance, January 1, 2011	$	7,045	156,631
Additions, internally-developed		–	35
Disposals – discontinued operations *(note 8)*		–	(2,852)
Balance, December 31, 2011		7,045	153,814
Additions, business acquisitions *(note 6)*		–	6,201
Balance, December 31, 2012	**$**	**7,045**	**160,015**
Accumulated impairment			
Balance, January 1, 2011	$	(936)	(7,865)
Reversal of impairment – continuing operations		–	2,911
Reversal of impairment – discontinued operations *(note 8)*		–	2,852
Balance, December 31, 2011		(936)	(2,102)
Reversal of impairment		–	905
Impairment charge		–	(6,988)
Balance, December 31, 2012	**$**	**(936)**	**(8,185)**
Net book value			
At December 31, 2011	$	**6,109**	**151,712**
At December 31, 2012		**6,109**	**151,830**

Additions
The 2011 addition to internally-developed broadcast licences consisted of the direct costs attributed to converting an AM station to FM. In 2012, two new licences were acquired as part of business combinations which are fully described in note 6. These new licences are in Penticton and Kelowna, British Columbia.

Disposals
The disposal of $2,852,000 represented the carrying values of the two Winnipeg licences sold in November 2011. Additional details on this disposal are included in note 8. There were no disposals in 2012.

Annual impairment assessments
For the purposes of assessing impairment, broadcast licences are grouped at the cash-generating unit ("CGU") level which is the lowest level for which there are largely independent cash inflows. As a result, some broadcast licences are tested individually for impairment and some are tested at the CGU level. For broadcast licence impairment testing purposes, the Company has identified nineteen CGUs, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals are included as a separate line on the income statement. The two new licences acquired in British Columbia are grouped together in one CGU for purposes of impairment testing.

Goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. As of December 31, 2012 and December 31, 2011, there was no goodwill impairment.

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

Reversal of impairment charges

For the year ended December 31, 2011, previously recognized impairment charges were reversed in the amount of $5,763,000. $2,852,000 of this was a result of the sale of the Winnipeg broadcast licences where the fair value less costs to sell exceeded the carrying value of the licences, prompting a reversal of prior impairment charges (refer to note 8). The other impairment reversals of $2,911,000 all arose in CGUs located in Alberta.

For the year ended December 31, 2012, the Company reversed $905,000 of previously recognized impairment losses in one of its Alberta CGUs. In both 2012 and 2011, financial performance of the Alberta CGUs was strong in light of more favourable economic conditions in that Province. In addition, the discount rates used to determine value-in-use were lower in 2011 and 2012, mostly due to lower cost of debt, which increased the value of discounted cash flows.

Impairment charge

In July 2012, the CRTC announced it was systematically phasing out the television Local Programming Improvement Fund between September 2012 and August 31, 2014. This decision impacted the financial results of the television cash-generating unit ("CGU") in Lloydminster, Alberta by permanently reducing annual profit before provision for income taxes by as much as $1,000,000 by 2014 and beyond. As a result, management performed a detailed impairment analysis of this CGU, which comprises the net assets, including the broadcast licences, related to two local television stations. The recoverable amounts of the broadcast licences, calculated using the value-in-use method, were lower than the carrying values, resulting in impairment charges. The full value of the television broadcast licences, aggregating $6,988,000, was written off as an impairment charge in the income statement.

The recoverable amount of the Lloydminster television CGU was determined based on a value-in-use calculation using cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is based upon historical inflation rates. The pre-tax discount rate applied to the cash flow projections, which was based on the Company's weighted average cost of capital, was 9.8%.

Recoverable amounts

The recoverable amounts of the CGUs have been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the Board of Directors covering a five-year period. Cash flows beyond the five-year period were extrapolated using a 2.0% growth rate which is based upon historical inflation rates. The pre-tax discount rates applied to cash flow projections, which were based on the Company's weighted average cost of capital, ranged from 8.61% to 10.0% as at October 31, 2012 and from 9.4% to 10.1% as at October 31, 2011. Cash flow projections are extended beyond the five year budget period because broadcast licences and goodwill are indefinite life assets.

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

Key assumptions used in value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

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

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

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

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

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

8. DISCONTINUED OPERATIONS

In November 2011, the Company disposed of its net assets associated with CKJS-AM and CHNK-FM in Winnipeg, Manitoba for proceeds of $5,500,000, plus an amount for trade receivables. The financial results from these cash-generating units and the gain on disposal have been treated as discontinued operations in the income statement and statement of cash flows for 2011. The results from these cash-generating units were also excluded from the Broadcasting segment comparative results in segmented information presented in note 20.

As a result of this disposal, in 2011 the Company decreased broadcast licences by $2,852,000, property and equipment by $1,206,000, current assets by $236,000 and recorded a gain of $1,338,000.

8. DISCONTINUED OPERATIONS (continued)

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

(thousands of Canadian dollars)		**2011**
Revenue	$	**1,283**
Operating expenses		**(1,394)**
Depreciation		**(81)**
Accretion of other liabilities		**(8)**
Broadcast licence impairment reversal due to the remeasurement to fair value less costs to sell *(note 7)*		**2,852**
Gain on disposal of discontinued operations		**1,338**
Profit from discontinued operations before provision for taxes		**3,990**
Provision for income taxes:		
Current income tax recovery		**(162)**
Deferred income tax expense		**655**
		493
Profit from discontinued operations	$	**3,497**
Earnings per share, from discontinued operations		
Basic	$	**0.12**
Diluted		**0.11**

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

9. BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of Canadian dollars)		**2012**	2011
Revolving term credit facility of $90 million, renewable bi-annually, maturing June 2014	**$**	**48,000**	40,500
Less: Debt transaction costs, net of accumulated amortization of $193 (2011 – $216)		**(96)**	(289)
	$	**47,904**	40,211

In June 2012 the Company renewed its credit facility to extend the expiry date from June 2013 to June 2014 and reduced its interest rates by as much as 75 basis points, depending on the Company's total debt ratio. This renewal, combined with the recently extended interest rate swap described in note 15(b), will reduce the effective rate on the majority of the Company's debt by approximately 250 basis points.

Long-term debt bears interest at bankers' acceptance rates plus a premium based on certain financial ratios. To manage interest rate risk and ensure stability in the Company's interest costs, the Company entered into interest rate swap agreements (see note 15(b)) which fix the floating bankers' acceptance rates.

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

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 $3,323,000 for interest on long-term debt (2011 – $3,988,000).

10. OTHER LIABILITIES

(thousands of Canadian dollars)		**2012**	2011
CCD commitments, net of current portion of $1,567 (2011 – $2,434) included in accounts payable and accrued liabilities	$	**1,110**	2,321
Accrued pension benefit liability *(note 11)*		**8,447**	8,566
Deferred tenant inducements		**1,468**	1,676
Interest rate swap payable, net of current portion of $169 included in accounts payable and accrued liabilities (2011 – $121) and net of cumulative credit risk adjustment of $12 (2011 – $14) *(note 15(b))*		**905**	2,305
Stock appreciation rights payable, net of current portion of $358 included in accounts payable and accrued liabilities (2011 – $501) *(note 12)*		**96**	122
	$	**12,026**	14,990

CCD commitments are measured based on the amortized cost using EIM which gives rise to accretion expense which amounted to $276,000 (2011 – $447,000). EIM rates used to determine the value of CCD commitments range from 5.2% to 12.2%. The discounted CCD commitments are due as follows: 2013 – $1,567,000; 2014 – $610,000; 2015 – $264,000; 2016 – $107,000; 2017 – $71,000 and thereafter $58,000. The undiscounted amount payable for CCD commitments is $2,873,000 of which $1,670,000 is current (2011 – $5,151,000 of which $2,637,000 was current). Additional CCD commitments will be recognized in 2013 fully described in note 19.

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

11. EMPLOYEE BENEFITS PLANS

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

Defined contribution pension plan

The defined contribution pension plan covers the majority of the Company's employees. The Company's contributions to the defined contribution plan are based on percentages of gross salaries and in 2012 totaled $1,584,000 (2011 – $1,526,000).

11. EMPLOYEE BENEFITS PLANS (continued)

Defined benefit pension plans

The Company maintains a defined benefit plan ("the Basic Plan") for a small group of the Company's current and former employees. The plan provides pension benefits based on length of service and the last five years of average earnings of each member. The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of December 31 of each year. The most recent actuarial valuation of the pension plan was December 31, 2012.

In addition, the Company has two individual Supplementary Retirement Pension Arrangements ("SRPAs") that each pay a pension to a retired executive. These SRPAs provide benefits over and above that which can be provided under the Income Tax Act, and are thus not pre-funded.

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

(thousands of Canadian dollars)		**2012**	2011
Statement of financial position:			
Accrued pension benefit liability, included in other liabilities *(note10)*	**$**	**(8,447)**	(8,566)
Income statement:			
Pension benefit expense, included in operating expenses	**$**	**337**	334
Other comprehensive losses and accumulated other comprehensive losses:			
Actuarial losses recognized in the statement of other comprehensive income	**$**	**66**	1,252
Cumulative actuarial losses recognized in the statement of other comprehensive income		**2,137**	2,071

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

		2012		**2011**	
(thousands of Canadian dollars)		**Basic Plan**	**SRPA**	Basic Plan	SRPA
Accrued benefit obligations					
Balance, beginning of year	**$**	**5,396**	**8,256**	4,756	8,238
Current service cost		**105**	**–**	97	–
Interest cost		**222**	**313**	234	373
Benefits paid		**(181)**	**(522)**	(159)	(517)
Termination benefit		**–**	**–**	13	–
Actuarial losses		**256**	**75**	455	162
Balance, end of year		**5,798**	**8,122**	5,396	8,256
Plan assets					
Fair value, beginning of year		**5,086**	**–**	5,497	–
Actual return on plan assets					
Expected return on plan assets		**300**	**–**	379	–
Actuarial gains (losses)		**265**	**–**	(635)	–
Employee contributions		**3**	**–**	4	–
Benefits paid		**(181)**	**–**	(159)	–
Fair value, end of year		**5,473**	**–**	5,086	–
Net accrued pension benefit liability	**$**	**(325)**	**(8,122)**	(310)	(8,256)

11. EMPLOYEE BENEFITS PLANS (continued)

Defined benefit pension plans (continued)

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

		2012		2011	
(thousands of Canadian dollars)		**Basic Plan**	**SRPA**	Basic Plan	SRPA
Current service cost, net of employee contributions	**$**	**102**	**–**	93	–
Interest cost		**222**	**313**	234	373
Past service cost		**–**	**–**	13	–
Expected return on plan assets		**(300)**	**–**	(379)	–
Defined benefit plan (income) expense	**$**	**24**	**313**	(39)	373

The actual return on plan assets was a gain of $627,000 in 2012 (2011 – loss of $209,000).

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

		2012			2011		
(thousands of Canadian dollars)		**Basic Plan**	**SRPA**	**Total**	Basic Plan	SRPA	Total
Cumulative actuarial losses, beginning of year	**$**	**1,482**	**589**	**2,071**	392	427	819
Recognized actuarial (gains) losses during the year		**(9)**	**75**	**66**	1,090	162	1,252
Cumulative actuarial losses, end of year	**$**	**1,473**	**664**	**2,137**	1,482	589	2,071

The principal actuarial assumptions were as follows:

	2012		2011	
	Basic Plan	**SRPA**	**Basic Plan**	**SRPA**
Discount rate for the accrued benefit obligation	**3.5%**	**3.5%**	4.1%	4.1%
Expected long-term rate of return on plan assets	**6.0%**	**N/A**	6.0%	N/A
Future pension increases	**2.0%**	**0.5%**	2.5%	0.9%
Future compensation increases for the accrued benefit obligation	**3.5%**	**3.5%**	4.0%	4.0%

Plan assets for the Basic Plan consist of:

	2012	2011
Equity funds	**68%**	64%
Fixed income funds	**27%**	31%
Money market funds	**5%**	5%
	100%	100%

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

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

12. SHARE-BASED COMPENSATION PLANS

The Company has the following share-based compensation plans:

Share Purchase Plan
Compensation expense for the Company's share purchase plan was $535,000 (2011 – $528,000) and is included in operating expenses.

Stock Appreciation Rights Plan
A total of 1,745,000 stock appreciation rights ("SARS" or "rights") have been granted since 2006 at a weighted-average reference price of $5.75. As at December 31, 2012, 170,000 rights remained outstanding (2011 – 425,000). The SARS' expiry dates range from April 2014 to February 2015. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in the income statement. Fair value is measured using the Black-Scholes option-pricing model.

Year-to-date, 255,000 SARS (2011 – 595,750) were exercised for cash proceeds of $340,000 (2011 – $707,000). Compensation expense related to SARS for the year was $172,000 (2011 – $285,000). The total obligation for SARS compensation was $454,000 of which $358,000 was current and classified as accounts payable and accrued liabilities (2011 – compensation payable was $623,000, of which $501,000 was current). The intrinsic value obligation for SARS, for those SARS that were fully vested at December 31, 2012 was $465,000 (2011 – $595,000).

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

	As at December 31, 2012	As at December 31, 2011
Risk-free interest rate	**1.38%**	2.49%
Dividend yield	**1.67%**	2.26%
Volatility factors of the expected market price of the Company's Class A shares	**24.1%**	26.5%
Expected life of the SARS	**5 years**	5 years
Fair value per SAR	**$2.67**	$1.46

The assumption for the risk-free interest rate used by the Company is different than in the prior year because the outstanding SARS will expire within a shorter period of time. The expected life of the SARS is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARS is indicative of future trends, which may also not necessarily be the actual outcome.

12. SHARE-BASED COMPENSATION PLANS (continued)

Executive Stock Option Plan

At year end, the number of Class A shares reserved for issuance pursuant to the executive stock option plan was 3,219,970. The number of Class A shares underlying outstanding options under the executive stock option plan was 2,530,000. 689,970 options remained available to grant. The exercise price per share is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the shares on the last trading date preceding the date of the grant or the average closing price of the preceding twenty trading days. The expiry date of the options is established by the Board of Directors. The expiry dates range from March 2015 to December 2019. Options either vest on the date they are granted or vest over time in the following manner: twenty-five percent vest on the date of granting and twenty-five percent vest on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case shares are issued from treasury based on a formula that takes into account the market value of the Company's Class A shares and the option's strike price.

In 2012, the Toronto Stock Exchange, shareholders and the Board of Directors approved to extend the expiry dates of 2,140,000 stock options by 5 years which extended the weighted average contractual life of the executive options to 5.18 years (2011 – 1.95 years). The following summarizes the Company's outstanding stock options.

	2012		2011	
	Number	**Price***	Number	Price*
Balance, beginning of year	**2,530,000**	**$4.31**	2,650,000	$3.91
Granted	**–**	**–**	270,000	7.30
Exercised	**–**	**–**	(390,000)	(3.66)
Balance, end of year	**2,530,000**	**$4.31**	2,530,000	$4.31
Total options vested	**2,380,000**	**$4.13**	2,242,500	$3.96

* *weighted average exercise price*

Range of Exercise Price	**Number of Options Outstanding at December 31, 2012**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Number of Options Exercisable at December 31, 2012**	**Weighted Average Exercise Price**
$ 2.43 – 2.67	**825,000**	**5.10**	**$2.64**	825,000	$2.64
2.80 – 2.98	**495,000**	**4.89**	**2.83**	495,000	2.83
3.89	**300,000**	**6.96**	**3.89**	300,000	3.89
5.83 – 7.46	**910,000**	**4.82**	**6.78**	760,000	6.68
	2,530,000	**5.18**	**4.31**	2,380,000	4.13

The compensation expense related to stock options for 2012 was $1,214,000 (2011 – $108,000) and was recorded in operating expenses. Included in the 2012 expense is $1,071,000 that was recognized as a result of the extension of the expiry dates by 5 years.

The fair value measurement of the expense related to the extension of expiry dates of options in 2012, and the fair value of the options granted in 2011 were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

12. SHARE-BASED COMPENSATION PLANS (continued)

Executive Stock Option Plan (continued)

	2012	2011
Weighted average risk-free interest rate	**1.58%**	1.55%
Dividend yield	**2.27%**	2.23%
Weighted average volatility factors of the expected market price of the Company's Class A shares	**25.1%**	26.9%
Weighted average expected life of the options	**5 years**	5 years
Weighted average fair value per option	**$0.53**	$0.96

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

13. SHARE CAPITAL

	Issued shares		
	(thousands of shares)		*(thousands of Canadian dollars)*
Balance, January 1, 2011	31,512	**$**	**40,813**
Share repurchase	(1,388)		**(2,002)**
Exercise of executive stock options	206		**968**
Balance, December 31, 2011	30,330		**39,779**
Share repurchase	(1,162)		**(1,700)**
Balance, December 31, 2012	**29,168**	**$**	**38,079**

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

	Issued shares		**2012**	2011
	(thousands of shares)		*(thousands of Canadian dollars)*	
Class A Subordinate Voting Shares (2011 – 26,558)	25,396	**$**	**37,171**	38,871
Class B Common Shares (2011 – 3,772)	3,772		**908**	908
	29,168	**$**	**38,079**	39,779

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

13. SHARE CAPITAL (continued)

other respects, these shares rank equally. The outstanding Class B shares are convertible to Class A shares at the option of the shareholder, on a one-for-one basis.

The Company may impose restrictions respecting the issuance, transfer and voting of the Company's shares due to externally-imposed regulations more fully described under "Capital risk" in note 15.

Share repurchases
In 2012, pursuant to the Normal Course Issuer Bid which expired February 12, 2013, the Company repurchased for cancellation 1,161,768 (2011 – 1,388,072) of its outstanding Class A shares for $9,343,000 (2011 – $8,744,000). As a result of these share repurchases, capital stock was reduced by $1,700,000 (2011 – $2,002,000) and retained earnings by $7,643,000 (2011 – $6,742,000).

Exercise of stock options
Pursuant to the Company's executive stock option plan disclosed in note 12, no options were granted or exercised in 2012. During 2011, 390,000 options were exercised; 375,000 using the cashless exercise option resulting in 191,000 shares being issued from treasury while 15,000 were exercised for cash proceeds of $84,000. Due to the exercise of options, share capital was increased in 2011 by $968,000 and contributed surplus was reduced in 2011 by $884,000.

Dividends
During 2012, the Company declared total dividends of $0.15 (2011 – $0.15) per Class A and Class B shares. Dividends paid in 2012 totaled $4,492,000 (2011 – $3,711,000). Dividends totaling $2,625,000 were payable at year end (2011 – $2,730,000).

14. CONTRIBUTED SURPLUS

(thousands of Canadian dollars)		
Balance, January 1, 2011	$	2,176
Exercise of stock options *(note 13)*		(884)
Executive stock option plan compensation expense *(note 12)*		108
Balance, December 31, 2011		1,400
Executive stock option plan compensation expense *(note 12)*		1,214
Balance, December 31, 2012	$	2,614

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments
Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the 3-month Canadian banker's acceptance rates. The 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 5.2% to 12.2%.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

(thousands of Canadian dollars) **Description**	**Total**	**Level 1** Quoted prices in active markets for identical assets	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs
Financial assets at fair value through profit or loss:				
Cash and bank indebtedness	$ **(429)**	(429)	–	–
Marketable securities	**4,244**	4,244	–	–
Loans and receivables:				
Accounts receivable	**26,971**	–	26,971	–
Equity total return swap receivable	**736**	–	736	–
Items accounted for as hedges:				
Interest rate swap payable	**(1,086)**	–	(1,086)	–
Other liabilities at amortized cost				
Accounts payable and accrued liabilities, net of current portion of CCD commitments and current portion of the interest rate swap	**(14,438)**	–	(14,438)	–
Long-term debt	**(48,000)**	–	(48,000)	–
CCD commitments	**(2,678)**	–	(2,678)	–

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

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

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

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $27,700,000 as at December 31, 2012, which included accounts receivable and the equity total return swap receivable. The Company reviews its receivables for possible indicators of

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,115,000 as at December 31, 2012. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 90% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the year approximated $400,000 which represents a very small portion of accounts receivable and revenue. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Market risk

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

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

The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at December 31, 2012, a 10% change in the share prices of each marketable security would result in a $340,000 change in profit.

For the year ended December 31, 2012, the mark-to-market change in fair value of marketable securities, recorded in other income (expense), was an unrealized loss of $2,222,000 (2011 – unrealized gain of $1,302,000). In 2012, the Company disposed of certain investments triggering realized losses of $71,000 (2011 – $nil).

b) Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian Chartered Banks. One has a notional value of $10,000,000 and expires in June 2013 and the other has a notional amount of $45,000,000 and was amended during 2012 to expire in May 2017 (from May 2013). The swap agreements involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The Company elected to apply hedge accounting and as such formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates. Hedge accounting applies to $50,000,000 of the $55,000,000 notional value.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

b) Interest rate risk management (continued)

In the second quarter of 2012, the Company amended the terms of its $45,000,000 swap agreement to extend the expiry date and to take advantage of lower interest rates. The interest rate on this swap has been reduced by approximately 200 basis points. The aggregate fair value payable of the swap agreement at the time of extension was $1,375,000 and this was blended into the new fixed rate of interest of the swap. This amount will be transferred from Other Comprehensive Income ("OCI") to interest expense over the term of the original agreement which was set to expire in May 2013.

As at December 31, 2012, the $45,000,000 swap was ineffective for accounting purposes. As a result the change in fair value of the swap, from the time the swap was deemed ineffective in May 2012, was transferred from OCI to profit. This amounted to $358,000 in the year (2011 – $nil).

At year end, the aggregate fair value payable of the swap agreements included in other liabilities was $1,086,000 (2011 – $2,440,000), of which $168,000 (2011 – $191,000) was classified as a current liability. The before-tax change in fair value of the swaps included in OCI was a gain of $1,354,000 (2011 – $590,000). The before-tax interest expense transferred from OCI to profit was $215,000 (2011 – interest recovery of $131,000). The before-tax net expense of $215,000 that was transferred to profit consisted primarily of $802,000 of expense arising from the blend and extend fair value balance noted above, offset by $441,000 related to hedge ineffectiveness and $145,000 related to the de-designated portion of the hedge. In 2011, the before-tax $131,000 income transferred from OCI to profit consisted primarily of $91,000 related to hedge ineffectiveness and $45,000 related to the de-designated portion of the hedge.

A 0.5% change in the projected floating interest rates during the remaining term of the hedge agreements would have impacted the fair value of the interest rate swaps by approximately $440,000. $10,000 of this would have been recorded in OCI with the remaining flowing through profit due to the fact that the $45,000,000 swap was ineffective for accounting purposes as at December 31, 2012.

c) Share price volatility risk management

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

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

In 2011, the Company wound up a large portion of the equity total return swap and amended its terms, extending the expiry date from 2011 to 2013. The amended swap no longer qualifies for hedge accounting and therefore all gains or losses are recorded immediately in profit. The recognition of gains and losses through OCI no longer applies.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

c) Share price volatility risk management (continued)

The estimated fair value of the equity total return swap current receivable balance at December 31, 2012 was $736,000 (2011 – $889,000). Realized before-tax gains recorded in profit were $210,000 (2011 $1,349,000). The large gain in 2011 arose because during the first half of that year, the Company wound-up 805,000 of the then 1,275,000 notional Class A shares under the swap and as a result significant gains were recognized in profit. The Company is gradually unwinding this swap and as at December 31, 2012, 233,600 notional shares remain outstanding. This swap expires in July 2013.

Liquidity risk

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

Obligation *(thousands of Canadian dollars)*	**12 months**	**2014 - 2017**	**Thereafter**
Long-term debt *(note 9)*	**$ –**	48,000	–
Bank indebtedness	**429**	–	–
Accounts payable and accrued liabilities, net of current portion of CCD commitments	**14,504**	–	–
Dividends payable	**2,625**	–	–
Income taxes payable	**15,008**	–	–
CCD commitments, undiscounted *(notes 10 and 19)*	**1,817**	1,775	309
	$ 34,383	49,775	309

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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Capital risk (continued)

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

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

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at December 31, 2012.

16. PROVISION FOR INCOME TAXES

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

(thousands of Canadian dollars, except percentages)		**2012**	2011
Statutory income tax rate		**31.0%**	32.5%
Provision based on the statutory income tax rate applied to profit from continuing operations	**$**	**5,154**	10,062
Increase (decrease) due to:			
Subsidiary rate differential		**(785)**	(1,153)
Non-taxable portion of broadcast licence impairment charge (recovery)		**793**	(417)
Non-taxable portion of realized and unrealized capital losses (gains)		**344**	(172)
Non-deductible stock-based compensation		**376**	35
Provincial capital tax and other		**(546)**	(74)
Deferred income tax expense (recovery) relating to the changes in corporate income tax rates		**434**	147
Deferred income tax recovery relating to the origination and reversal of temporary differences		**(28)**	(84)
	$	**5,742**	8,344
The components of the provision for income taxes on profit from continuing operations are as follows:			
Current tax expense	**$**	**5,955**	6,905
Deferred income tax expense (recovery)		**(213)**	1,439
	$	**5,742**	8,344

16. PROVISION FOR INCOME TAXES (continued)

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

(thousands of Canadian dollars)		2012	2011
Deferred income tax assets			
Canadian Content Development commitments	$	**488**	809
Tax loss carryforwards		**254**	631
Employee benefit plans		**2,282**	2,640
Other		**658**	672
Deferred income tax liabilities			
Property and equipment		**(2,527)**	(2,743)
Broadcast licences and goodwill		**(16,575)**	(16,881)
Other		**–**	(310)
Net deferred income tax liability	$	**(15,420)**	(15,182)
The net deferred income tax liability is included under the following captions on the consolidated statements of financial position:			
Long-term deferred income tax assets	$	**3,682**	4,750
Long-term deferred income tax liabilities		**(19,102)**	(19,932)
	$	**(15,420)**	(15,182)

The Company recognizes the benefits of capital and non-capital loss carryforwards as deferred tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. As at year end, the Company had available loss carryforwards of $940,000 (2011 – $2,327,000). A deferred income tax asset of $254,000 (2011 – $631,000) has been recognized in respect of loss carryforwards. The available loss carryforwards will expire as follows: $425,000 in 2026; $173,000 in 2027; $300,000 in 2028; and $42,000 in 2032.

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

		For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
(thousands of Canadian dollars)		Continuing Operations	Discontinued Operations	OCI	Continuing Operations	Discontinued Operations	OCI
Deferred income tax assets							
Canadian Content Development commitments	$	**321**	**–**	**–**	236	6	–
Tax loss carryforwards		**377**	**–**	**–**	273	–	–
Employee benefit plans		**378**	**–**	**(20)**	56	–	(388)
Other		**(459)**	**–**	**424**	(35)	–	122
Deferred income tax liabilities							
Property and equipment		**(216)**	**–**	**–**	64	1	–
Broadcast licences and goodwill		**(305)**	**–**	**–**	644	648	–
Other		**(309)**	**–**	**–**	201	–	–
Deferred income tax expense (recovery)	$	**(213)**	**–**	**404**	1,439	655	(266)

17. EARNINGS PER SHARE

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

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

(thousands)	**2012**	2011
Weighted average common shares used in calculation of basic earnings per share	**29,759**	30,397
Effect of dilution related to executive stock options	**1,149**	1,135
Weighted average common shares used in calculation of diluted earnings per share	**30,908**	31,532

18. SUPPLEMENT CASH FLOW INFORMATION

(thousands of Canadian dollars)	**2012**	2011
Change in non-cash working capital relating to operating activities from continuing operations		
Marketable securities, excluding $2,222 related to unrealized losses (2011 – unrealized gains of $1,302)	**$ 122**	–
Receivables	**(1,298)**	(193)
Prepaid expenses	**(406)**	112
Accounts payable and accrued liabilities	**2,837**	595
	$ 1,255	514

19. COMMITMENTS AND CONTINGENCIES

Operating leases and other

The Company has total commitments of $20,000,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows: 2013 – $4,400,000; 2014 – $3,500,000; 2015 – $3,000,000; 2016 – $2,700,000; 2017 – $2,200,000 and thereafter $4,200,000. Generally, lease terms for properties extend from five to fifteen years, with at least one renewal period while leases for vehicles and equipment generally have no renewal periods with terms extending from one year to several years.

Canadian Content Development Commitments

In May 2012, the CRTC approved the Company's applications for new FM broadcast licences in Fredericton and Miramichi, New Brunswick. When these stations are launched in 2013, the Company will begin making annual CCD payments of $100,000 and $15,000, respectively, payable over a seven year period for a total of $805,000.

On January 2, 2013, the Company purchased the remaining 70.1% shares of 3221809 Nova Scotia Limited, more fully described in note 21. As a result of this acquisition, the Company is obligated to pay CCD commitments of $31,700 per year for seven years for a total of $222,000.

Legal Claims

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

20. OPERATING SEGMENT INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Details of segment operations are set out below. Results from Winnipeg operations have been excluded from the Broadcasting segment comparative figures as a result of accounting for discontinued operations as described in note 8.

(thousands of Canadian dollars)		Broadcasting	Corporate and Other	Total
2012				
Revenue	**$**	**127,262**	**3,686**	**130,948**
Operating expenses		**(84,888)**	**(12,220)**	**(97,108)**
Segment profit (loss)		**42,374**	**(8,534)**	**33,840**
Depreciation and amortization		**(3,905)**	**(263)**	**(4,168)**
Interest expense		**–**	**(3,577)**	**(3,577)**
Accretion of other liabilities		**(276)**	**–**	**(276)**
Other income (expense)		**–**	**(2,610)**	**(2,610)**
Impairment charge, net of recovery of $905		**(6,583)**	**–**	**(6,583)**
Profit (loss) from continuing operations before provision for income taxes	**$**	**31,610**	**(14,984)**	**16,626**
Assets employed	**$**	**216,583**	**15,813**	**232,396**
Liabilities		**(60,202)**	**(53,066)**	**(113,268)**
Other disclosures				
Broadcast licences		**151,830**	**–**	**151,830**
Goodwill		**6,109**	**–**	**6,109**
Capital expenditures		**(4,059)**	**(178)**	**(4,237)**
2011				
Revenue	$	122,462	4,144	126,606
Operating expenses		(80,897)	(10,454)	(91,351)
Segment profit (loss)		41,565	(6,310)	35,255
Depreciation and amortization		(3,679)	(268)	(3,947)
Interest expense		–	(4,300)	(4,300)
Accretion of other liabilities		(447)	–	(447)
Other income (expense)		–	1,487	1,487
Impairment recovery		2,911	–	2,911
Profit (loss) from continuing operations before provision for income taxes	$	40,350	(9,391)	30,959
Assets employed	$	214,735	19,205	233,940
Liabilities		(90,339)	(23,935)	(114,274)
Other disclosures				
Broadcast licences		151,712	–	151,712
Goodwill		6,109	–	6,109
Capital expenditures		(5,143)	(536)	(5,679)

21. SUBSEQUENT EVENTS

Business Acquisition

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

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

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

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

(thousands of Canadian dollars)	**January 2, 2013**
Working capital	**$ 197**
Deferred tax asset on tax loss carryforwards	**215**
Property and equipment	**767**
Broadcast licence	**2,387**
Goodwill	**1,313**
Total assets acquired	**4,879**
Deferred tax liabilities on property and equipment and broadcast licences	**(454)**
Net assets acquired	**$ 4,425**

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

21. SUBSEQUENT EVENTS (continued)

Business Acquisition (continued)
Earnings of The Eagle will be included in profit as of the date of acquisition on January 2, 2013. Pro-forma revenue and profit for the combined entity, as though the acquisition date for the transaction had been January 1, 2012, would have been approximately $985,000 and $111,000, respectively.

Potential disposal of broadcasting assets in Western Canada
Subsequent to year end, the Company announced that it was exploring the possible sale of its Western Canadian broadcasting assets which are located primarily in Alberta. The assets consist of 32 radio stations, 6 repeater licences and 2 television stations. At this point, there is no agreement in place to sell these assets and there is no certainty that any transaction will result from the process.

22. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

Related Parties
These consolidated financial statements include the financial statements of the two wholly-owned subsidiaries: Newcap Inc. and the Glynmill Inn Incorporated. Any balances owing or receivable between these entities are eliminated on consolidation. In addition, the Company had a 29.9% interest in an entity which operates a radio station. The Company does not control this entity as at December 31, 2012; it is a significant influence investment and as such the Company has recorded its share of profit based on equity accounting, as more fully disclosed in note 5.

Directors of the Company control 67% of the Class A Shares and 97% of the Class B shares of the Company. The Company has transacted with Directors and key personnel during the reporting period. The terms and conditions of the transactions with key management personnel and related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel or related entities on an arm's length basis. From time to time directors of the Company, or their related entities, may purchase or sell goods and services from/to the Company. These transactions are on the same terms and conditions as those entered into by other Company employees or customers. No transactions with key personnel or related parties, either individually or as a group, were material in the year.

The key management personnel of the Company are the Chairman, President and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Key management personnel remuneration for the years ended December 31, 2012 and December 31, 2011 includes:

(thousands of Canadian dollars)		**December 31, 2012**	December 31, 2011
Short-term benefits			
Salaries including bonuses	**$**	**3,034**	3,016
Other		**273**	274
Post-employment benefits			
Defined benefit pension plan expense		**184**	225
Defined contribution pension plan expense		**59**	57
Share-based compensation expense		**28**	172
Share-based compensation expense related to the extension of expiry date of options		**770**	–
Total remuneration included in operating expenses	**$**	**4,348**	3,744

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

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

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

Assets at a Glance

Western Region

Region	Location	Name	Call Letters	Format	AM/FM/TV	Frequency
West	Athabasca	94.1 The River	CKBA-FM	Classic Hits/Today's Hits	FM	94.1 MHz
West	Blairmore	Mountain Radio	CJPR-FM	Country	FM	94.9 MHz
West	Bonnyville	KOOL-FM	CJEG-FM	Hot AC	FM	101.3MHz
West	Bonnyville	CBC	CKSA-TV2	CBC	TV	CH-9
West	Brooks	Q105.7	CIBQ-FM	Country	FM	105.7 MHz
West	Brooks	101.1 The One	CIXF-FM	Hot AC	FM	101.1 MHz
West	Calgary	90.3 AMP Radio	CKMP-FM	Top 40	FM	90.3 MHz
West	Calgary	XL-103	CFXL-FM	Classic Hits	FM	103.1 MHz
West	Camrose	CAM-FM	CFCW-FM	Classic Hits	FM	98.1 MHz
West	Camrose	CFCW	CFCW	Country	AM	790kHz
West	Cold Lake	K-Rock/Lakeland	CJXK-FM	Rock	FM	95.3 MHz
West	Drumheller	Q91	CKDQ	Country	AM	910 kHz
West	Edmonton	Capital FM	CKRA-FM	Classic Hits	FM	96.3 MHz
West	Edmonton	K-97	CIRK-FM	Classic Rock	FM	97.3 MHz
West	Edson	The Eagle CFXE	CFXE-FM	Classic Hits/Today's Hits	FM	94.3 MHz
West	Elkford	Mountain Radio	CJEV®	Country	AM	1340 kHz
West	Fort McMurray	K-Rock 100.5	CHFT-FM	Classic Rock	FM	100.5 MHz
West	Grande Cache	The Eagle CFXG	CFXG-FM®	Classic Hits/Today's Hits	FM	93.3 MHz
West	High Prairie	Prairie FM	CKVH-FM	Classic Hits/Today's Hits	FM	93.5 MHz
West	Hinton	The Eagle CFXH	CFXH-FM	Classic Hits/Today's Hits	FM	97.5 MHz
West	Jasper	The Eagle CFXP	CFXP-FM®	Classic Hits/Today's Hits	FM	95.5 MHz
West	Kelowna	K96.3	CKKO-FM	Classic Rock	FM	96.3 MHz
West	Keremeos	Country 100.7	CIGV-FM1®	Country	FM	98.9 MHz
West	Lac La Biche	Big Dog	CILB-FM	Classic Hits/Today's Hits	FM	103.5 MHz
West	Lloydminster	CILR	CILR-FM	Tourism Information	FM	98.9 MHz
West	Lloydminster	Lloyd-FM	CKSA-FM	Country	FM	95.9MHz
West	Lloydminster	CBC	CKSA-DT	CBC	TV	CH-2
West	Lloydminster	CTV	CITL-DT	CTV	TV	CH-4
West	Penticton	Country 100.7	CIGV-FM	Country	FM	100.7 MHz
West	Pincher Creek	Mountain Radio	CJPV-FM®	Country	FM	92.7 MHz
West	Princeton	Country 100.7	CIGV-FM2®	Country	FM	98.1 MHz
West	Red Deer	KG Country 95.5	CKGY-FM	Country	FM	95.5 MHz
West	Red Deer	Z98.9	CIZZ-FM	Rock	FM	98.9 MHz
West	Slave Lake	92.7 Lake-FM	CHSL-FM	Classic Hits/Today's Hits	FM	92.7 MHz
West	St. Paul	97.7 The Spur	CHSP-FM	Country	FM	97.7 MHz
West	Stettler	Q93.3	CKSQ-FM	Country	FM	93.3 MHz
West	Wainwright	Key 83	CKKY	Country	AM	830 kHz
West	Wainwright	Wayne-FM	CKWY-FM	Classic Hits/Today's Hits	FM	93.7 MHz
West	Westlock	The Range	CKWB-FM	Country	FM	97.9 MHz
West	Wetaskiwin	W 1440	CKJR	Classic Hits	AM	1440 kHz
West	Whitecourt	The Rig 96.7	CFXW-FM	Rock	FM	96.7 MHz

Central Region

Region	Location	Name	Call Letters	Format	AM/FM/TV	Frequency
Central	Ottawa	Hot 89.9	CIHT-FM	Top 40	FM	89.9 MHz
Central	Ottawa	LiVE 88.5 FM	CILV-FM	Alternative Rock	FM	88.5 MHz
Central	Sudbury	Rewind 103.9 FM	CHNO-FM	Classic Hits	FM	103.9 MHz
Central	Sudbury	Hot 93.5	CIGM-FM	Top 40	FM	93.5 MHz

Eastern Region

Region	Location	Name	Call Letters	Format	AM/FM/TV	Frequency
East	Charlottetown	Hot 105.5	CKQK-FM	Top 40	FM	105.5 MHz
East	Charlottetown	Ocean 100	CHTN-FM	Classic Hits	FM	100.3 MHz
East	Elmira	Hot 105.5	CKQK-FM1®	Top 40	FM	103.7 MHz
East	Elmira	Ocean 100	CHTN-FM1®	Classic Hits	FM	99.9 MHz
East	St. Edwards	Hot 105.5	CKQK-FM2®	Top 40	FM	91.1MHz
East	St. Edwards	Ocean 100	CHTN-FM2®	Classic Hits	FM	89.9 MHz
East	Halifax	96.5 KOOL-FM	CKUL-FM	Classic Hits	FM	96.5 MHz
East	Halifax	Q104	CFRQ-FM	Rock	FM	104.3 MHz
East	Kentville	K-Rock 89.3	CIJK-FM	Rock	FM	89.3 MHz
East	Sydney	The Giant 101.9	CHRK-FM	Hot AC	FM	101.9 MHz
East	Sydney	The Eagle	CKCH-FM	Country	FM	103.5 MHz
East	Fredericton	Fred-FM	CFRK-FM	Classic Hits	FM	92.3MHz
East	Fredericton	CIHI-FM 93.1	CIHI-FM	TBA	FM	93.1 MHz
East	Miramichi	CHHI-FM 95.9	CHHI-FM	TBA	FM	95.9 MHz
East	Moncton	C103	CJMO-FM	Rock	FM	103.1 MHz
East	Moncton	XL Country 96.9	CJXL-FM	Country	FM	96.9 MHz
East	Baie Verte	CKIM	CKIM®	News/Talk/Country	AM	1240 kHz
East	Carbonear	KIXX Country	CHVO-FM	Country	FM	103.9 MHz
East	Churchill Falls	Big Land-FM	CFLC-FM®	News/Talk/Country/Classic Rock Hybrid	FM	97.9 MHz
East	Clarenville	K-Rock	VOCM-FM1®	Classic Rock	FM	100.7 MHz
East	Clarenville	CKVO	CKVO	News/Talk/Country	AM	710 kHz
East	Corner Brook	CFCB	CFCB	News/Talk/Country	AM	570 kHz
East	Corner Brook	K-Rock	CKXX-FM	Classic Rock	FM	103.9 MHz
East	Deer Lake	CFDL	CFDL-FM®	News/Talk/Country	FM	97.9 MHz
East	Gander	CKGA	CKGA	News/Talk/Country	AM	650 kHz
East	Gander	K-Rock	CKXD-FM	Classic Rock	FM	98.7 MHz
East	Grand Falls	CKCM	CKCM	News/Talk/Country	AM	620 kHz
East	Grand Falls-Windsor	K-Rock	CKXG-FM	Classic Rock	FM	102.3 MHz
East	Goose Bay	Big Land-FM	CFLN-FM	News/Talk/Country/Classic Rock Hybrid	FM	97.9 MHz
East	Lewisporte	K-Rock	CKXG-FM1®	Classic Rock	FM	101.3 MHz
East	Marystown	CHCM	CHCM	News/Talk/Country	AM	740 kHz
East	Port aux Basques	CFGN	CFGN®	News/Talk/Country	AM	1230 kHz
East	Port au Choix(1)	CFNW	CFNW®	News/Talk/Country	AM	790 kHz
East	Northwest River	Big Land-FM	CFLN-FM1®	News/Talk/Country/Classic Rock Hybrid	FM	95.9 MHz
East	Springdale	CKCM	CKCM-FM1®	News/Talk/Country	FM	89.3 MHz
East	St. John`s	590 VOCM	VOCM	News/Talk/Country	AM	590 kHz
East	St. John`s	Radio Newfoundland	CJYQ	Newfoundland Music	AM	930 kHz
East	St. Andrews	CFCV	CFCV-FM®	News/Talk/Country	FM	97.7 MHz
East	St. Anthony	CFNN	CFNN®	News/Talk/Country	FM	97.9 MHz
East	St. John`s	99.1 HITS-FM	CKIX-FM	Top 40	FM	99.1 MHz
East	St. John`s	K-Rock	VOCM-FM	Classic Rock	FM	97.5 MHz
East	Stephenville	CFSX	CFSX	News/Talk/Country	AM	870 kHz
East	Stephenville	K-Rock	CKXX-FM1®	Classic Rock	FM	95.9 MHz
East	Wabush	Big Land-FM	CFLW-FM®	News/Talk/Country/Classic Rock Hybrid	FM	94.7 MHz

® Repeating Signal

(1) The Company received approval to convert this repeater station to FM

BOARD OF DIRECTORS

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

Harry R. Steele, OC 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.

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

David I. Matheson, Q.C. conducts a corporate and international advisory practice through the services of the Matheson Global Advisory Group as its managing director after having been a corporate and tax partner at McMillan LLP for many years. The Group is a national and international business connecting organization. He has a Bachelor of Commerce degree, with a major in accounting, and a Law degree from Dalhousie University. As a tax lawyer, he worked extensively with the accounting profession in tax reform and on financial reporting issues for tax purposes. He has served as a director and as a chairman and member of numerous audit and governance committees for public companies. He has written and spoken extensively, nationally and internationally, on tax-related financial reporting, corporate governance and securities law compliance. His knowledge of the Company's financial affairs and internal control and systems is extensive.

[1] Member of Audit & Governance Committee

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

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

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

Allen F. MacPhee is a well-known businessman who has run very successful automobile dealerships, one of which became the largest General Motors dealership in Atlantic Canada and one of the top ten in Canada. Mr. MacPhee has had extensive experience as a senior manager and leader and has been successful in the effective management of business and financial practices aligned with stakeholder interests. Al has experience in reviewing and interpreting financial statements and financial information. He also is very intimate with all aspects of the businesses he has run – operational, financial and human resource matters. From 2011 to 2012 he was the Chairman of the Canadian Automobile Dealers Association. In 2009, Al MacPhee was inducted into the Junior Achievement of Nova Scotia Business Hall of Fame and in 2010, 2011 and 2012 was honoured as one of Atlantic Canada's Top 50 CEO's. Al served two consecutive terms on the Board of Governors of the Cape Breton University located in Sydney, Nova Scotia and currently he is the President of MacPhee Ford in Dartmouth.

[1] Member of Audit & Governance Committee

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

Michael (Mickey) C. MacDonald, President of Micco Companies, is a well-known entrepreneur whose business interests are diversified across many industries including automotive leasing, retail, food and beverage, fitness, commercial and residential custom tile sales and residential land development. Mr. MacDonald has held senior leadership and management roles of several organizations and as such has had to manage and oversee sound business and financial practices aligned with the best interests of various stakeholders. He has extensive experience in reviewing and interpreting financial statements and financial information. He continuously evaluates his current business holdings and potential business acquisitions for expansion while continually striving to improve operational success. In 2005 Saint Mary's University presented Mr. MacDonald with an Honorary Doctor of Commerce. Mr. MacDonald has won numerous business and personal awards including the 2008 Nova Scotia Humanitarian of the Year, 2005 Nova Scotia Philanthropist of the Year, 2004 Newfoundland Philanthropist of the Year, Ernst and Young Entrepreneur of the Year, Halifax Chamber of Commerce Business Person of the Year and was among the Top 50 CEO's in Atlantic Canada for five years in a row.

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

Donald J. Warr, FCA is a partner with the chartered accounting firm Blackwood & Warr in a Newfoundland and Labrador. He obtained a Bachelor of Commerce degree in 1967 before obtaining his Chartered Accountancy designation in 1970. Prior to starting his own practice in 1992, Mr. Warr was a tax partner with a large national accounting firm. He was past President of the Newfoundland and Labrador Institute of Chartered Accountants and was awarded the designation of FCA in 1983 for outstanding service to the profession and the community. Mr. Warr, in addition to serving as a director for the Company, also serves as a director to Altius Minerals Corp., a public entity. He has extensive knowledge and experience with preparing, auditing, analyzing and evaluating financial statements, along with an extensive background in taxation matters, internal controls and procedures surrounding financial reporting.

[1] Member of Audit & Governance Committee


K-ROCK


K-ROCK
The Valley's Classic Rock
89.3 FM


JOHN MELLENCAMP

Corporate Governance

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

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

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

FINANCIAL LITERACY

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

CODE OF ETHICS

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

POLICY ON CORPORATE GOVERNANCE

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

WHITSTLEBLOWER POLICY

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

DISCLOSURE COMMITTEE

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

ESTABLISHED MANDATES

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

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

Corporate Information

OFFICERS AND MANAGEMENT

Robert G. Steele
President and Chief Executive Officer

David J. Murray
Chief Operating Officer

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

Linda A. Emerson
Assistant Corporate Secretary

Scott Broderick
Vice-President, Marketing & Central Operations

Kim Day
Vice-President, Finance

Mike Fawcett
Vice-President, Engineering

Steve Jones
Vice-President, Programming

Randy Lemay
Vice-President, Alberta Operations

Philip Reid
Vice-President, Administration

Ron Ryan
Vice-President, Atlantic Operations

Glenda Spenrath
Vice-President, Operations & Regulatory Affairs

John Steele
President, Newfoundland and Labrador Operations

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

For shareholder account inquiries:
Telephone: 1-800-387-0825 (toll free in North America)
e-mail: inquiries@canstockta.com
or write to: Newfoundland Capital Corporation Limited
c/o The Canadian Stock Transfer Company, P.O. Box 700 Station B Montreal, QC H3B 3K3

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

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

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

Auditors
Ernst & Young LLP

Bankers
The Bank of Nova Scotia
The Toronto-Dominion Bank

Legal Counsel
Stewart McKelvey

Annual meeting
The Annual General Meeting of Shareholders will be held at 11:00 a.m., Wednesday, May 1, 2013 in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, NS.

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