NEWFOUNDLAND CAPITAL CORPORATION LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

March 8, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis ("MD&A") is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the annual audited consolidated financial statements ("annual financial statements"), prepared as of March 8, 2018, and related notes contained in this 2017 Annual Report.

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

The Company's annual financial statements for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts herein are expressed in Canadian dollars. The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on March 8, 2018. Disclosure contained in this document is current to this date, unless otherwise stated.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", and other similar terminology relate to, but are not limited to, our objectives, goals, plans, strategies, intentions, outlook and estimates. By their very nature, these statements involve inherent risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. The Company has outlined in this MD&A a section entitled "Risks, Uncertainties and Opportunities" that discusses possible events or conditions that are beyond management's control and that could affect future results; these include topics surrounding the economy, the regulatory environment, competition, technological developments, cyber security, the dependency on advertising revenue, 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 101 broadcast licences (72 radio stations and 29 repeating signals) across Canada. The Company reaches millions of listeners every day 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 stations includes 82 FM and 19 AM licences serving markets of all sizes across Canada. All of the Company's stations are globally accessible via streaming from computers, mobile devices, smart speakers, and digital dashboards, allowing listeners the flexibility to tune in at any time from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

STRATEGY AND OBJECTIVES

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

The Company's day-to-day operating objective is to grow its existing operations by increasing advertising revenue and remaining focused on controlling costs to maximize adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"[1]) margins. Management will continue to explore acquisition and expansion opportunities that fit the Company's objectives, and it will submit applications to the CRTC for new licences. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

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

SIGNIFICANT 2017 FINANCIAL HIGHLIGHTS

Consolidated revenue was consistent with 2016 and consolidated Adjusted EBITDA increased by 2%. Consolidated profit was $26.7 million, down from profit of $31.0 million last year primarily as a result of a $5.5 million non-cash impairment charge related to certain broadcast licences.

In the Company's core operating segment, Broadcasting, revenue was consistent with the prior year and Adjusted EBITDA increased 1%. In June 2017 the Company completed the acquisition of three radio stations and four repeating signals in Kamloops, British Columbia and finalized the disposal of CISL-AM in Vancouver, British Columbia. On a net basis, these transactions did not significantly impact Adjusted EBITDA but resulted in higher revenue and operating expenses of approximately $1.0 million in 2017.

The following points provide a brief description of the 2017 financial highlights, details of which follow in the *Analysis of Consolidated Results* section:

- The stable revenue was primarily due to growth in revenue in the Company's Toronto and Sudbury broadcasting operations, combined with the business acquisition in Kamloops, which offset declines in certain Alberta and Newfoundland and Labrador stations because of the challenging economic environment in those regions.
- The stable operating expenses were primarily a result of the Company's continued focus on managing costs and operating efficiently, offset by growth in the size of the Company through the business acquisition in Kamloops. The 2016 annual results included both restructuring expenses and a $2.2 million recovery in operating expenses related to a refund of previously paid copyright tariffs, $1.5 million of which related to a refund of tariffs paid prior to 2016. The recovery of certain CMRRA-SODRAC Inc. ("CSI") and Connect Music Licensing ("Connect") tariffs was a result of a Copyright Board of Canada decision made during 2016. The Company's fourth quarter 2016 financial statements included a $0.5 million recovery in operating expenses as a result of this decision, $0.3 million of which related to a refund of tariffs paid in prior periods. The impact of this decision on the Company's financial results is described throughout this MD&A as a "reduction and refund of certain copyright tariffs."
- The 2% increase in consolidated Adjusted EBITDA was a result of the Company's focus on controlling costs.
- Profit decreased to $26.7 million this year compared to $31.0 million last year. The decrease in profit was primarily a result of a $5.5 million non-cash impairment charge related to broadcast licences.
- The Company increased its annual dividends by 150% to $0.50 per share during 2017 from $0.20 per share in the prior year.
- The Company repurchased a total of 142,500 Class A Subordinate Voting shares for cash consideration of $1.7 million during 2017.

RECENT OPERATIONAL HIGHLIGHTS

- February 2018 – rebranded CKRV-FM in Kamloops as K97.5.
- November 2017 – rebranded CFCW-FM in Camrose, Alberta as New Country.
- November 2017 – relaunched current hit music in addition to throwbacks on 93-5 The Move in Toronto, Ontario.
- August 2017 – relaunched the VOCM network of stations in its traditional format of news, talk, and music.
- August 2017 – rebranded CJKC-FM in Kamloops to New Country.
- July 2017 – rebranded all small market Alberta rock and classic hits stations as "boom."
- June 2017 – completed the acquisition of three radio stations and four repeating signals in Kamloops for cash consideration of $7.6 million. The radio stations acquired consist of New Country 103.1, Radio NL 610 AM, and K97.5.
- June 2017 – completed the sale of CISL-AM to Rogers Media Inc.

- January and February 2017 – rebranded all British Columbia, New Brunswick, and Nova Scotia country stations as New Country.
- January 2017 – launched a new FM licence in Hinton, Alberta.
- November 2016 – rebranded all Alberta country stations as "Real Country" except CFCW which will remain as its own brand as it is a well-known country brand in Alberta.
- May 2016 – launched a new FM licence in Clarenville, Newfoundland and Labrador.
- March 2016 – rebranded CKDQ in Drumheller to 910 CFCW, an extension of the Company's legendary CFCW brand, the voice of rural Alberta, which is a well-known country brand that is now available in nearly all of Alberta.
- February 2016 – rebranded CFXJ-FM in Toronto to 93-5 The Move, a rhythmic hot adult contemporary station targeting adults 25 to 44.
- February 2016 – rebranded CKUL-FM in Halifax to Mix 96.5, a hot adult contemporary station playing a variety of pop/rock hits from the 90s to now.

FINANCIAL PERFORMANCE REVIEW

Business Combinations

In June 2017, the Company received CRTC approval and completed the acquisition of three radio stations as well as four repeating signals in Kamloops for cash consideration of $7.0 million, net of cash acquired. The stations acquired consist of New Country 103.1, Radio NL 610 AM, and K97.5. The financial results of these stations have been included in profit since their respective acquisition dates.

Upon the close of the acquisition, the Company completed a provisional purchase price allocation. As at December 31, 2017, the purchase price allocation was finalized resulting in certain adjustments to the provisional purchase price allocation. There was no impact on profit, earnings per share or cash flow as a result. For a detailed description of this business combination, including the adjustments to the provisional purchase price allocation, pro forma earnings and acquisition-related costs, please refer to note 5 to the annual financial statements.

Disposal of Broadcasting Assets

In June 2017, the Company completed the sale of CISL-AM in Vancouver, British Columbia, for $5.3 million, resulting in a gain on disposal of $0.9 million, net of certain restructuring expenses related to the disposal. This gain was recorded in business acquisition, integration, disposal, and other (expense) income on the consolidated statements of income. For a detailed description of the disposal, please refer to note 6 to the annual financial statements.

Selected Financial Highlights

Since 2015, revenue has grown by 3%. This was due to growth in the Broadcasting segment, both organic and as a result of incremental growth from stations acquired. Below are some of the other significant factors that affected profit between 2015 and 2017:

- 2015 – The Company achieved strong financial performance in its first full year of operations with the Toronto and Vancouver radio stations, which were acquired in March 2014.
- 2016 – The Company successfully grew profit through its organic operations by growing revenue and controlling costs. Also contributing to the increase in profit was the reduction and refund of certain copyright tariffs.
- 2017 – The Company recognized a $5.5 million non-cash impairment charge related to broadcast licences, which negatively impacted profit.

Selected Financial Highlights *(thousands of Canadian dollars, except share data)*	**2017**	2016	2015
Revenue	**$ 169,871**	169,531	164,602
Profit	**26,690**	30,984	22,891
Weighted average number of outstanding shares			
– basic *(thousands)*	**25,557**	26,079	27,355
– diluted *(thousands)*	**26,841**	27,284	28,628
Earnings per share			
– basic	**$ 1.04**	1.19	0.84
– diluted	**0.99**	1.14	0.80
Total assets	**$ 369,103**	372,663	369,281
Long-term debt, including current portion	**109,795**	129,455	145,908
Dividends declared			
Class A shares	**$ 0.50**	0.20	0.15
Class B shares	**0.50**	0.20	0.15

Consolidated Financial Results of Operations

The Company's consolidated financial results of operations for the fourth quarter in 2017 and 2016 and for the years ended December 31, 2017 and 2016 were as follows:

(thousands of Canadian dollars except percentages and per share data)	**Three months ended December 31**			**Twelve months ended December 31**		
	2017	2016	% Change	**2017**	2016	% Change
Revenue	**$ 47,430**	46,972	1%	**169,871**	169,531	-
Operating expenses	**(29,067)**	(30,276)	(4%)	**(117,223)**	(117,740)	-
Adjusted EBITDA[(1)]	**18,363**	16,696	10%	**52,648**	51,791	2%
Depreciation and amortization	**(1,225)**	(1,160)	6%	**(4,720)**	(4,864)	(3%)
Accretion of other liabilities	**(56)**	(60)	(7%)	**(257)**	(310)	(17%)
Interest expense	**(1,089)**	(1,140)	(4%)	**(4,430)**	(4,766)	(7%)
Impairment charge	**(5,500)**	-	-	**(5,500)**	-	-
Business acquisition, integration, disposal and other (expense) income	**(447)**	(35)	-	**(145)**	889	-
Profit before provision for income taxes	**10,046**	14,301	(30%)	**37,596**	42,740	(12%)
Provision for income taxes	**(2,886)**	(3,926)	(26%)	**(10,906)**	(11,756)	(7%)
Profit	**$ 7,160**	10,375	(31%)	**26,690**	30,984	(14%)
Earnings per share						
- Basic	**$ 0.28**	0.41		**1.04**	1.19	
- Diluted	**0.27**	0.39		**0.99**	1.14	

(1) *Refer to page 22, "Non-IFRS Accounting Measure".*

ANALYSIS OF CONSOLIDATED RESULTS

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

Revenue

Consolidated revenue was $47.4 million in the fourth quarter; a $0.5 million or 1% increase over the fourth quarter of 2016, as a result of revenue growth in the Broadcasting segment. For the year ended December 31, 2017, consolidated revenue of $169.9 million was $0.3 million or less than 1% higher than last year as a result of revenue growth in the Broadcasting segment.

Operating Expenses

Consolidated operating expenses for the fourth quarter were $29.1 million, $1.2 million or 4% lower than in 2016 and annual operating expenses were $117.2 million, $0.5 million or less than 1% lower than the prior year.

The decline in operating expenses for the quarter and year-to-date was a result of lower operating costs in the Corporate and Other segment because 2016 included a non-recurring restructuring charge of $1.0 million. Operating expenses in the Broadcasting segment were down slightly as a result of the Company's continued focus on cost control and lower restructuring charges incurred in 2017, partially offset by the increase from the Kamloops business acquisition. Annual operating expenses were also impacted by a $0.6 million non-cash expense related to the extension of certain executive stock options recognized in the Corporate and Other segment.

Excluding 2017 and 2016 restructuring expenses and normalizing for the impact of the reduction and refund of certain copyright tariffs in the prior year, organic operating expenses decreased by $0.8 million or 3% in the fourth quarter, primarily as a result of lower operating costs in the Broadcasting segment.

Excluding 2017 and 2016 restructuring expenses, the 2017 non-cash expense related to the extension of executive stock options, and normalizing for the impact of the reduction and refund of certain copyright tariffs in the prior year, organic operating expenses decreased by $1.6 million or 1% year-to-date.

Adjusted EBITDA

Fourth quarter consolidated Adjusted EBITDA was $18.4 million, $1.7 million or 10% higher than the same period last year as a result of higher revenue and reduced operating costs in both the Broadcasting segment and the Corporate and Other segment. For the year ended December 31, 2017, Adjusted EBITDA of $52.6 million was $0.9 million or 2% higher than in 2016 due primarily to the reduction in operating expenses as the Company had lower restructuring expenses during 2017 and continued to focus on cost control. Excluding 2017 and 2016 restructuring expenses, the 2017 non-cash expense related to the extension of executive stock options, and normalizing for the impact of the reduction and refund of certain copyright tariffs in the prior year, organic Adjusted EBITDA was $0.6 million or 4% higher in the fourth quarter and $0.9 million or 2% higher year-to-date.

Depreciation and Amortization

Depreciation and amortization in the fourth quarter of $1.2 million was $0.1 million or 6% higher than the same quarter last year as a result of additional depreciation on property and equipment acquired in the year. For the year ended December 31, 2017, depreciation and amortization of $4.7 million was $0.1 million or 3% lower than last year as a result of accelerated depreciation recorded in 2016 as a result of the retirement of certain assets.

Accretion of Other Liabilities

Included in other liabilities are Canadian Content Development ("CCD") commitments. The fair value of the CCD commitments is initially recorded at the present value of amounts to be paid. The obligations are subsequently adjusted for the incurrence of related expenditures and the passage of time. Changes in the obligations due to passage of time are recorded as accretion of other liabilities. Accretion expense was lower in the fourth quarter and year-to-date than the same periods in 2016 because of the payments of CCD commitments during 2017, which reduced the balance on which accretion was calculated.

Interest Expense

Interest expense in the fourth quarter of $1.1 million was $0.1 million or 4% lower than the same quarter last year and year-to-date interest expense of $4.4 million was $0.3 million or 7% lower than the prior year due to a lower balance of long-term debt as a result of repayments during the year.

Impairment Charge

In the fourth quarter and year-to-date, the Company recognized an impairment charge of $5.5 million (2016 - $nil). The impairment was related to a rural Alberta Cash-Generating Unit ("CGU") for which the recoverable amount was determined to be lower than the carrying amount by $5.5 million. The entire impairment charge was applied to broadcast licences. The decline in the financial results of this CGU were due to persistent weak economic conditions as well as an outlook for the region that did not demonstrate any supportable improvement or rebound in the near term.

Detailed information on broadcast licences, CGUs and related impairment results can be found in note 9 to the annual financial statements.

Business acquisition, integration, disposal and other (expense) income
Business acquisition, integration, disposal and other (expense) income generally consists of expenses related to business acquisitions and integration, realized gains and losses on the disposal of broadcasting assets, realized and unrealized gains and losses on investments and other items that are not indicative of the Company's core operating results, and not used in the evaluation of the Company's performance.

Business acquisition, integration, disposal and other expense in the fourth quarter of 2017 was a net expense of $0.4 million primarily related to the integration of the Kamloops operations. In the fourth quarter of 2016, business acquisition, integration, disposal and other expense was less than $0.1 million.

Year-to-date business acquisition, integration, disposal and other (expense) income was a net expense of $0.1 million comprised of the net effect of the gain on the disposal of CISL-AM of $0.9 million, an unrealized mark-to-market gain of $0.3 million on investments included in other assets, and gains on disposals of property and equipment of $0.3 million. These gains were offset by CCD commitments and integration costs of $0.7 million related to the Kamloops operations and $0.8 million of expenses related to business acquisitions and disposals. In the prior year, year-to-date business acquisition, integration, disposal and other income of $0.9 million was primarily related to gains on the Company's marketable securities of $0.8 million, of which $0.5 million was realized losses on disposition and $1.3 million was unrealized mark-to-market gains. The Company's marketable securities portfolio was fully divested in 2016.

Provision for Income Taxes
In the fourth quarter, the provision for income taxes was $2.9 million, $1.0 million or 26% lower than last year, while the year ended December 31, 2017 provision for income taxes of $10.9 million was $0.9 million or 7% lower than the prior year. The decrease in provision for income taxes for the fourth quarter and the year ended December 31, 2017 was a result of lower profit before provision for income taxes compared to the same periods in the prior year. The effective income tax rate in the fourth quarter was 28.7% and for the year ended December 31, 2017 was 29.0%, which is lower than the Company's statutory rate of 31% primarily because of the subsidiary rate differential.

Profit
Profit for the fourth quarter of $7.2 million was $3.2 million, or 31%, lower than the same quarter last year and year-to-date profit of $26.7 million was $4.3 million or 14% lower than the prior year primarily because of the impairment charge of $5.5 million recorded in 2017, which had an after-tax impact of $3.9 million on the fourth quarter and annual results.

Other Comprehensive (Loss) Income ("OCI")
OCI consists of the net change in the fair value of the Company's cash flow hedges (interest rate swap) and actuarial gains and losses arising from the Company's defined benefit pension plans. The after-tax unrealized loss recorded in OCI for the interest rate swap was $nil compared to a loss of less than $0.1 million in the fourth quarter of 2016 and $nil year-to-date compared to a loss of $0.1 million in the year ended December 31, 2016. Net actuarial losses related to the Company's defined benefit pension plans of $0.2 million were recorded in OCI for the fourth quarter and year ended December 31, 2017 compared to gains of $0.2 million in the fourth quarter and year-to-date 2016.

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operations of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue and segment Adjusted EBITDA because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 20 to 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. CGUs within the broadcasting segment are managed and evaluated based on their revenue and Adjusted EBITDA. The following summarizes the key operating results of the broadcasting segment.

Broadcasting Financial Results of Operations

(thousands of Canadian dollars, except percentages)	**Three months ended December 31**			**Twelve months ended December 31**		
	2017	2016	% Change	**2017**	2016	% Change
Revenue	**$ 46,364**	45,970	1%	**165,446**	165,029	-
Operating expenses	**(25,736)**	(25,985)	(1%)	**(103,420)**	(103,779)	-
Adjusted EBITDA [(1)]	**$ 20,628**	19,985	3%	**62,026**	61,250	1%
Adjusted EBITDA margin	**44%**	43%	1%	**37%**	37%	-

(1) *Refer to page 22, "Non-IFRS Accounting Measure".*

Revenue

Fourth quarter revenue of $46.4 million was $0.4 million or 1% higher than the same quarter last year. During the year ended December 31, 2017, revenue of $165.4 million was $0.4 million or less than 1% higher than the same period in 2016. The revenue growth in the quarter and year-to-date was primarily a result of growth at the Company's Ontario broadcasting operations, which continued to benefit from ratings success, combined with the business acquisition in Kamloops, which offset declines in certain Alberta and Newfoundland and Labrador stations because of the challenging economic environment in those regions.

The fall 2017 ratings were positive for the Company as it achieved a top two ranking in 11 of 17 rated markets.

Operating Expenses

Broadcasting operating expenses for the fourth quarter were $25.7 million, $0.2 million or 1% lower than in 2016 due to continued cost control within this segment. Higher restructuring expenses in the fourth quarter of 2016 were offset by the reduction and refund of certain copyright tariffs recognized in that same period.

Broadcasting operating expenses for the year ended December 31, 2017 of $103.4 million were $0.4 million or less than 1% lower than last year. The change was primarily due to the Company's continued focus on cost control, and lower restructuring charges incurred in 2017, partially offset by the increase from the Kamloops business acquisition and a recovery recorded in the prior year related to the reduction and refund of certain copyright tariffs.

Excluding current and prior year restructuring expenses and normalizing for the impact of the reduction and refund of certain copyright tariffs in the prior year, organic operating expenses in the broadcasting segment declined by $0.9 million or 3% in the fourth quarter and $2.0 million or 2% year-to-date. Significant cost savings realized in 2017 include a $1.4 million reduction in advertising expense primarily because the prior year included a major advertising campaign in Toronto that did not recur.

Adjusted EBITDA

Fourth quarter broadcasting Adjusted EBITDA of $20.6 million was $0.6 million or 3% higher than the same quarter in 2016 and year-to-date Adjusted EBITDA of $62.0 million was $0.8 million or 1% higher than last year. Growth in Adjusted EBITDA in the quarter and year-to-date was achieved through maintaining stable revenue and controlling costs. The Company's Newfoundland and Labrador operations represent a success story as Adjusted EBITDA increased slightly despite a 3% decline in revenue. Excluding current and prior year restructuring expenses and normalizing for the impact of the reduction and refund of certain copyright tariffs in the prior year, organic Adjusted EBITDA in the broadcasting segment grew by $0.6 million or 3% in the fourth quarter and $1.3 million or 2% year-to-date.

CORPORATE AND OTHER SEGMENT

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

Corporate and Other Financial Results of Operations

(thousands of Canadian dollars, except percentages)		Three months ended December 31			Twelve months ended December 31		
		2017	2016	% Change	**2017**	2016	% Change
Revenue	$	**1,066**	1,002	6%	**4,425**	4,502	(2%)
Operating expenses		**(3,331)**	(4,291)	(22%)	**(13,803)**	(13,961)	(1%)
Adjusted EBITDA[(1)]	$	**(2,265)**	(3,289)	31%	**(9,378)**	(9,459)	(1%)

(1) *Refer to page 22, "Non-IFRS Accounting Measure".*

Revenue
Revenue in the fourth quarter of 2017 of $1.1 million was $0.1 million or 6% higher than the same period last year because of higher revenue at the Company's hotel operations. Annual revenue of $4.4 million was $0.1 million or 2% lower than in 2016 because of lower revenue at the Company's hotel operations.

Operating Expenses
Operating expenses of $3.3 million in the fourth quarter were $1.0 million or 22% lower than the same quarter last year and for the year ended December 31, 2017, operating expenses were $13.8 million, $0.2 million or 1% lower than in 2016. The decrease was primarily a result of the recognition of a $1.0 million restructuring charge during the fourth quarter of 2016. In the year-to-date period, this was partially offset by the recognition of a $0.6 million non-cash expense related to the extension of executive stock options in 2017.

Excluding the impact of 2017 and 2016 restructuring charges as well as the 2017 non-cash expense related to the extension of executive stock options, Corporate and Other operating expenses were $0.1 million or 2% higher in the fourth quarter and $0.4 million or 3% higher year-to-date.

Adjusted EBITDA
Corporate and Other Adjusted EBITDA increased in the quarter and year ended December 31, 2017 because of the lower operating expenses. Excluding the impact of 2017 and 2016 restructuring charges as well as the 2017 non-cash expense related to the extension of executive stock options, Corporate and Other Adjusted EBITDA was consistent in the fourth quarter and $0.4 million or 5% lower than the prior year.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Company's revenue and operating results vary, depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is lower. The fourth quarter tends to be a period of higher retail spending. During the fourth quarter of 2017, the Company recorded a $5.5 million impairment charge, which had an after-tax impact on profit of $3.9 million.

SELECTED QUARTERLY FINANCIAL INFORMATION *(unaudited except annual totals)*

(thousands of Canadian dollars, except share data)

		Quarter				
		1st	2nd	3rd	4th	Year
2017						
Revenue	$	**35,734**	**43,604**	**43,103**	**47,430**	**169,871**
Profit		**2,956**	**8,359**	**8,215**	**7,160**	**26,690**
Earnings per share						
– basic		**0.12**	**0.33**	**0.32**	**0.28**	**1.04**
– diluted		**0.11**	**0.31**	**0.31**	**0.27**	**0.99**
2016						
Revenue	$	36,879	44,225	41,455	46,972	169,531
Profit		4,571	8,300	7,738	10,375	30,984
Earnings per share						
– basic		0.17	0.31	0.30	0.41	1.19
– diluted		0.16	0.30	0.29	0.39	1.14

CASH FLOWS

The following table depicts the major sources of cash inflows and outflows in 2017 and 2016 by operating activities, financing activities and investing activities.

(thousands of Canadian dollars)		**2017**	2016
Funds generated from operations, before undernoted items	**$**	**51,890**	51,296
Change in working capital		**836**	(64)
Interest and income taxes paid		**(14,297)**	(14,402)
Net cash flows from operating activities	**$**	**38,429**	36,830
Net long-term debt repayments	**$**	**(19,750)**	(16,750)
Dividends paid		**(8,942)**	(2,566)
Repurchase of share capital		**(1,741)**	(11,081)
Other, including change in bank indebtedness		**(564)**	238
Net cash flows used in financing activities	**$**	**(30,997)**	(30,159)
Property and equipment additions	**$**	**(3,841)**	(5,978)
Acquisition of business, net of cash acquired		**(7,016)**	-
Proceeds on disposal of broadcasting assets		**5,250**	-
CCD commitment payments		**(1,827)**	(2,394)
Proceeds from disposal of marketable securities		**-**	1,663
Other		**2**	38
Net cash flows used in investing activities	**$**	**(7,432)**	(6,671)

Cash Flows – 2017

Cash flows from operating activities of $38.4 million, combined with the $5.3 million from the disposal of broadcasting assets were used to repay long-term debt of $19.8 million, pay dividends of $8.9 million, acquire the Kamloops radio stations for $7.0 million, acquire property and equipment for $3.8 million, repurchase share capital for $1.8 million, and pay CCD commitments of $1.8 million.

Cash Flows – 2016

Cash flows from operating activities of $36.8 million, combined with the $1.7 million from the disposal of marketable securities, were used to repay $16.8 million long-term debt, repurchase share capital for $11.1 million, purchase property and equipment for $6.0 million, pay dividends of $2.6 million, and pay CCD commitments of $2.4 million.

Capital Expenditures and Capital Budget

Actual capital expenditures of $3.8 million were $0.7 million below the forecasted amount discussed in the Company's third quarter MD&A as a result of the additional deferral of projects which are considered in the Company's 2018 capital budget of $6.0 million.

The more significant investments in property and equipment in 2017 include improvements to studios, broadcasting equipment, and transmitters. The Company continuously upgrades its broadcasting equipment to improve operating efficiencies.

Capital expenditures for 2018 are expected to approximate $6.0 million. The major planned expenditures include improvements to studios, broadcasting equipment, transmitters, and towers as well as the acquisition of real property. The Company continuously upgrades its broadcasting equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total Assets

Assets of $369.1 million were $3.6 million lower than in 2016 due primarily to the $5.5 million impairment charge recognized on broadcast licences during the year.

Liabilities, Shareholders' Equity and Capital Structure
As at December 31, 2017, the Company had $1.6 million of current bank indebtedness (2016 - $2.0 million) and $109.8 million of long-term debt, of which $11.3 million was current (2016 - $129.5 million, of which $11.3 million was current). The capital structure consisted of 44% equity ($163.8 million) and 56% liabilities ($205.3 million) at year-end (2016 - 41% or $151.2 million equity and 59% or $221.5 million liabilities).

LIQUIDITY

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

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

In June 2017, the Company amended its credit facilities to extend the maturity date for both credit facilities to May 31, 2019.

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

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

Positive Cash Balances
The Company does not maintain any significant positive cash balances; instead it uses its cash balances to reduce debt and minimize interest expense. The fact that the Company does not have positive cash positions on its consolidated statements of financial position does not pose an increase to its liquidity risk because the Company generates cash from operations and included in the $90 million revolving credit facility is $5.0 million available to fund any current obligations, $1.6 million of which the Company had drawn as at December 31, 2017. The Company can access this remaining available amount of $3.4 million as well as the additional $25.5 million undrawn amount on its revolving credit facility to fund obligations.

Working Capital Requirements
As at December 31, 2017, the Company had a working capital surplus of $0.7 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from the undrawn portion of its credit facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to the undrawn amount of its credit facilities.

Future Cash Requirements
Other than for ongoing operations, the Company's cash requirements are primarily for interest payments, repayment of debt, capital expenditures, CCD payments, dividend payments and other contractual obligations. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements. The Company's future cash requirements are summarized in a table in the *Contractual Obligations* section.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's significant contractual obligations and commitments as at December 31, 2017 and the future periods in which the obligations become due and payable. Additional details regarding these obligations are provided in the notes to the annual financial statements, as referenced in the table.

Contractual Obligations *(thousands of Canadian dollars)*	2018	2019	2020	2021	2022	There-after	Total
Long-term debt *(note 10)*	$11,250	98,875	-	-	-	-	**110,125**
Operating leases *(note 19)*	5,971	4,893	3,428	2,145	1,467	2,300	**20,204**
CCD commitments, undiscounted *(note 11)*	1,523	1,384	1,649	69	69	138	**4,832**
Pension funding obligation *(note 12)*	757	765	772	780	788	3,376	**7,238**
Other long-term liabilities *(note 11)*	66	66	66	66	66	749	**1,079**
Total contractual obligations	19,567	105,983	5,915	3,060	2,390	6,563	**143,478**

The Company expects its long-term debt will be renewed in 2019 and at subsequent maturity dates, which is consistent with past practice, and therefore the annual required payments would be $11.3 million for years 2018 to 2021, $5.6 million in 2022 and $59.5 million thereafter.

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

The Company also has obligations with respect to its employee benefit plans, as discussed in note 12 to the annual financial statements. The Supplementary Retirement Pension Arrangements ("SRPAs") provide benefits above and beyond that which can be provided under the *Income Tax Act* (Canada), and therefore are not pre-funded. As a result, the Company's annual funding obligation approximates $0.8 million.

SHARE CAPITAL

Outstanding Share Data

The weighted average number of shares outstanding for the year ended December 31, 2017 was 25,557,000 (2016 - 26,079,000). As at March 8, 2018, there are 21,703,133 Class A Subordinate Voting shares ("Class A shares") and 3,769,322 Class B Common shares ("Class B shares") outstanding.

Dividends Declared

In 2017, the Board of Directors declared dividends of $0.50 (2016 - $0.20) per share on each of its Class A shares and Class B shares. Dividends of $8.9 million were paid during the year (2016 - $2.6 million) and there were $6.4 million dividends payable as at December 31, 2017 (2016 - $2.6 million).

Share Repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,090,116 Class A shares and 75,386 Class B shares. This bid became effective July 4, 2017 and expires July 3, 2018. During the year, the Company repurchased 142,500 Class A shares for cash consideration of $1.7 million (2016 - 1,158,900 for cash consideration of $11.1 million). Included in the share repurchases were 3,400 Class A shares under the NCIB that was in effect until June 5, 2017 and 139,100 repurchases were made under the NCIB that is currently in effect. As a result of the share repurchases, issued share capital was reduced by $0.2 million (2016 - $1.7 million) and retained earnings was reduced by $1.5 million (2016 - $9.4 million).

SHARE-BASED COMPENSATION PLANS

Executive Stock Option Plan

As of March 8, 2018, the number of Class A shares reserved for issuance pursuant to the executive stock option plan is 2,960,794. The number of Class A shares underlying outstanding options under the executive stock option plan is 1,905,000, of which 1,857,500 are vested, at prices ranging from $2.43 to $9.69. As of this date, 1,055,794 options remain available to grant.

During the year, the Company extended the expiry date of 1,850,000 executive stock options by five years after approval was received from the Toronto Stock Exchange and shareholders as required. During the year, the Company granted 30,000 executive stock options (2016 - nil). In 2017, 105,000 options were exercised using the cashless exercise method resulting in 44,224 shares being issued from treasury (2016 - 292,500 options exercised, resulting in 99,973 shares issued).

Compensation expense related to the stock option plan was $0.6 million (2016 - $0.1 million), including $0.6 million related to the extension of executive stock options, and was included in operating expenses.

For more detailed disclosures about the Company's share-based compensation plans, refer to note 13 to the annual financial statements.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Interest Rate Risk Management

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

The Company had in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The swap had a notional amount of $45.0 million and expired in May 2017. The swap agreement involved the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates was settled quarterly with the bank and recorded as an increase or decrease to interest expense. Changes in fair value of the swap were recorded in profit.

As at year-end, there was no remaining liability related to the aggregate fair value of the swap (2016 - $0.3 million liability, all of which was classified as current).

Market Risk Management

As at December 31, 2017 the Company did not hold any marketable securities but did hold a long-term investment that is recorded in *other assets* and did hold marketable securities during the prior year. Investment values can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the value of any one particular investment, the Company only invested a limited amount of funds in marketable securities.

During the year, $0.3 million was recorded as an unrealized gain in business acquisition, integration, disposal and other (expense) income as a result of changes in the fair value of the investment. In 2016, gains of $0.8 million were recognized, of which $1.3 million was comprised of unrealized mark-to-market gains and $0.5 million was realized losses on disposition.

As at December 31, 2017, a 10% change in the value of the Company's long-term investment would result in an estimated $0.1 million change in profit.

Credit Risk Management

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses, which totalled $1.0 million as at December 31, 2017. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off during the year approximated $0.5 million. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

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

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 to the annual financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

IAS 7, "Statement of Cash Flows" ("IAS 7")

In January 2016, as part of their disclosure initiative, the IASB issued amendments to IAS 7, requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The Company has adopted the amendments to IAS 7; however, they did not have a material impact on the consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

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

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

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has concluded that there will be no significant changes to the pattern of revenue recognition, however, more robust disclosure will be required.

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

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. The Company is in the process of assessing the impact of IFRS 9 and does not anticipate that the new standard will significantly affect the consolidated financial statements.

IFRS 16, "Leases" ("IFRS 16")
In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. This standard would be effective for the Company's annual periods beginning after January 1, 2019, with early adoption permitted. To assess the impact of this new standard, the Company has formed an internal working group and continues to progress on its in-depth assessment of IFRS 16 on the Company's consolidated financial statements. The Company expects that IFRS 16 will result in an increase in assets and liabilities as the majority of leases will be brought onto the consolidated statements of financial position. The Company expects an increase in depreciation and interest expenses and also an increase in cash flow from operating activities as cash payments for the principal portion of the lease will be recorded as financing outflows in the consolidated statements of cash flows.

IFRS 2, "Share-based Payment" ("IFRS 2")
In June 2016, the IASB issued three amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions, which are intended to eliminate diversity in the application of this standard. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in the consolidated financial statements for the annual period beginning on January 1, 2018, however, the current policy and practice is in line with the amendments and therefore the Company does not expect any impact on its consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23")
In June 2017, the IASB issued IFRIC 23 to clarify the accounting for uncertainties in income taxes under IAS 12, *Income Taxes*. It specifically considers:

- whether tax treatments should be considered collectively,
- assumptions for taxation authorities' examinations,
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and
- the effect of changes in facts and circumstances.

The effective date of the interpretation is January 1, 2019. The Company is assessing the impact this new interpretation will have on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

The most significant judgments made in the preparation of the Company's consolidated financial statements include judgments related to the determination that broadcast licences have indefinite lives and identifying CGUs based on whether or not there exists interdependency of customers and revenue between radio stations.

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

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

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's-length transaction of similar assets, observable market prices, or discounted cash flow projections 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 9 to the annual financial statements.

Employee Future Benefit Plans

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

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, considers the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details about the assumptions used are given in note 12 to the annual financial statements.

Income Taxes

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

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2017, there were no off-balance sheet arrangements other than operating leases, which are considered in the ordinary course of business.

RELATED PARTY TRANSACTIONS

The annual financial statements include the financial statements of the following wholly owned subsidiaries: Newcap Inc., Glynmill Inn Inc., 8504580 Canada Inc., 8384827 Canada Inc., 8384860 Canada Inc., 8384878 Canada Inc., NL Broadcasting Ltd. and Matricon Holdings Ltd. The results of 8384886 Canada Inc., previously a wholly-owned subsidiary have been included until the date of its sale on June 30, 2017. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

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

The Company sold advertising to companies controlled by the President and Chief Executive Officer ("CEO") and other directors during the reporting period. Included in revenue was $1.0 million (2016 - $1.1 million) for services provided. The Company provided office space, information technology support and had cost recoveries from companies controlled by the CEO and other directors during the year. Included in the consolidated statements of income was $0.6 million (2016 - $0.4 million) for services provided. Included in receivables as at December 31, 2017 was $0.1 million (2016 - $0.1 million) for services provided to related parties.

The Company purchased goods and services from companies controlled by the CEO and other directors during the year. Included in operating expenses was $0.5 million (2016 - $0.4 million) related to goods and services purchased during the year. Included in accounts payable and accrued liabilities as at December 31, 2017 was less than $0.1 million (2016 - less than $0.1 million) for goods and services purchased.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

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

The CEO and CFO have limited the scope of their design of the Company's disclosure controls and procedures to exclude the disclosure controls and procedures of its Kamloops operations, which were acquired on June 26, 2017. The Kamloops operations' contribution to the overall consolidated financial statements of the Company for the year ended December 31, 2017 was 1% of consolidated revenue and 1% of consolidated profit. As at December 31, 2017, the Kamloops operations' current assets and current liabilities were 2% and 1% of consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities were 3% and less than 1% of consolidated non-current assets and non-current liabilities, respectively. The design of the Kamloops operations' disclosure controls and procedures and internal control over financial reporting will be completed by the second quarter of fiscal 2018.

As at December 31, 2017, the CEO and CFO, based on their evaluation, which excluded the Kamloops operation's DC&P, concluded that DC&P were properly designed and were operating effectively.

Internal Control over Financial Reporting

The Company's CEO and CFO have designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Using the framework set forth in *The 2013 COSO Internal Control – Integrated Framework* – issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), management, under the supervision of the CEO and CFO, conducted its evaluation of the effectiveness of the Company's ICFR as at December 31, 2017.

The CEO and CFO have limited the scope of their design and evaluation of the Company's ICFR to exclude ICFR of its Kamloops operations, which were acquired on June 26, 2017.

As at December 31, 2017, the CEO and CFO, based on their evaluation, which excluded the Kamloops operations' ICFR, concluded that the Company's ICFR were 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 Control over Financial Reporting
During fiscal 2017, there were no changes in ICFR that are likely to have, or had, a material effect on the Company's ICFR.

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

RISKS, UNCERTAINTIES AND OPPORTUNITIES

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

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

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

Regulatory Environment – Radio Tariffs
The Company is subject to certain fees. Licence fees are payable to the CRTC, while copyright fees are payable to Copyright collective societies ("Collectives"), which include the Society of Composers, Authors and Music Publishers of Canada ("SOCAN"), Re:Sound, CSI and Connect based on rates set by the Copyright Board of Canada.

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

CRTC licence fees and copyright fees, combined, are currently approximately 7.0% of revenue. Fees vary as there are certain exemptions for low use and low revenue stations. In 2014, a Copyright Board of Canada hearing was held to review applications made by the following collectives for tariffs to remain at the 2010 rates: SOCAN (2011 - 2013), Re:Sound (2012 - 2014), CSI (2012 - 2013) and Connect (2012 - 2017). The Copyright Committee of the CAB disputed the reproduction tariffs, CSI and Connect, as unfair.

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

On June 15, 2016, the CRTC announced its funding decision following the policy framework review for local and community television. The impact of this decision was the disbanding of the Small Market Local Programming Fund ("SMLPF"), which was replaced by the Independent Local News Fund ("ILNF"), funded by both cable and direct-to-home television providers effective September 1, 2017. The purpose of the new ILNF is to support the creation of locally reflective news and information by private independent television stations. The new funding criteria is set out in Broadcasting Regulatory Policy CRTC 2016-224. The Company's portion of funding under the ILNF is expected to be approximately $0.2 million higher annually than the funding previously received from SMLPF.

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 has issued a limited number of new FM licences, restraining the impact of competition from new radio stations; however, competition among existing stations remains strong. In all markets where competition is a factor, the Company continuously studies the market, including demographic trends and the needs of both customers and listeners, to have reasonable assurance that the programming offered is tailored to the requirements of the audience.

Technological Developments

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

Cyber Security

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

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

Dependency on Advertising Revenue

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

Other media compete for advertising dollars, such as print, television, outdoor, direct mail, online services and advertising via social media. In many instances, these competitors are targeting the same advertisers as radio broadcasters and advertising dollars often shift between the different media. While there is no assurance that the Company's radio stations will maintain or increase their share of the advertising dollars, the Company is focused on mitigating any loss to other media by creating long-term relationships with customers and providing innovative, high-quality marketing campaigns. Over the past number of years, Radio's percentage share of advertising dollars has remained relatively constant with the increase of online advertising coming from the decline in print advertising. Recent trending in the radio industry has seen modest revenue declines of 2% in 2014, 1% in 2015, 3% in 2016, and 2% in 2017.

Broadcast Licences and Goodwill

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

Tax Matters

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

Defined Benefit Pension Plans

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

Potential Contingencies

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

OUTLOOK

The Company achieved success in 2017 by streamlining its cost structure over the last three years. As a result, Adjusted EBITDA grew in a year when revenue posted modest growth. Certain of the Company's broadcasting operations, led by Toronto and Sudbury, realized revenue growth as a result of strong listener ratings in those markets, offsetting declines in Alberta and Newfoundland and Labrador which continued to face economic challenges. The Company's focus on improved ratings should contribute to improved revenue even though the radio industry in Canada continues to face competitive pressures and saw revenue declines of 2% during 2017.

In 2018, the Company will continue to invest in programming talent to provide listeners with a high quality, community-focused product. The Company will seek out potential operating efficiencies in an effort to further reduce costs. The Company will also continue to grow its sales team and expand its complementary digital advertising sales to meet the needs of its sales customers. As listening options expand beyond the traditional distribution methods of AM and FM transmitters, Newcap will remain on the leading edge in order to give listeners access to our stations on any device, in any location, at any time.

The Company is confident in the future of radio and continues to invest in both existing operations as well as expansion. During 2017, the Company grew to over 100 radio licences with the acquisition of the Kamloops operations. An agreement to acquire two FM stations in New Glasgow, Nova Scotia is pending CRTC approval. The Company will continue to evaluate other growth opportunities and will seek out new licences and acquisitions that will grow the Company's presence and benefit shareholder value.

The Company's continued success is made possible by the efforts and commitment of our talented employees, who are passionate about radio and work hard every day to provide listeners and advertisers with a world-class product.

Non-IFRS Accounting Measure

(1) ***Adjusted 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 consolidated statements of income. Adjusted 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.*

Adjusted EBITDA is therefore calculated before (i) non-cash expenses such as depreciation, amortization, accretion of other liabilities, and impairment charge, (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 business acquisition, integration, disposal and other (expense) income. A calculation of this measure is as follows:

		Three months ended December 31		Twelve months ended December 31	
(thousands of Canadian dollars)		**2017**	2016	**2017**	2016
Profit	*$*	***7,160***	*10,375*	***26,690***	*30,984*
Provision for income taxes		***2,886***	*3,926*	***10,906***	*11,756*
Interest expense		***1,089***	*1,140*	***4,430***	*4,766*
Depreciation and amortization		***1,225***	*1,160*	***4,720***	*4,864*
Standardized EBITDA		***12,360***	*16,601*	***46,746***	*52,370*
Impairment charge		***5,500***	*-*	***5,500***	*-*
Business acquisition, integration, disposal and other expense (income)		***447***	*35*	***145***	*(889)*
Accretion of other liabilities		***56***	*60*	***257***	*310*
Adjusted EBITDA	*$*	***18,363***	*16,696*	***52,648***	*51,791*

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

Management's Responsibility for Financial Information

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

The Company has designed and maintains high quality systems of internal controls over financial reporting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. As at December 31, 2017, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer and Corporate Secretary ("CFO") of the Company, after evaluating the design and effectiveness of the Company's disclosure controls and procedures, have concluded that the Company's disclosure controls and procedures are adequate and effective to provide reasonable assurance that material information relating to the Company and its subsidiaries would have been known to them and disclosed. As at December 31, 2017, the CEO and CFO of the Company, after evaluating the design and effectiveness of the Company's internal controls over financial reporting, have concluded that the Company's internal controls over financial reporting are adequately designed and are operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

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

On behalf of the shareholders, the consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors. Their opinion is presented hereafter.

March 8, 2018

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

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

Independent auditors' report

To the Shareholders of **Newfoundland Capital Corporation Limited**

We have audited the accompanying consolidated financial statements of **Newfoundland Capital Corporation Limited**, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Halifax, Canada
March 8, 2018

"signed" Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

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

(thousands of Canadian dollars)	*Notes*		**2017**	**2016**
Assets				
Current assets				
Receivables	*15*	**$**	**41,248**	41,846
Prepaid expenses			**1,436**	1,647
Total current assets			**42,684**	43,493
Non-current assets				
Property and equipment	*7*		**43,697**	44,291
Other assets	*8, 12 & 15(a)*		**2,309**	1,889
Broadcast licences	*5, 6 & 9*		**258,285**	262,064
Goodwill	*5, 6 & 9*		**20,015**	19,055
Deferred income tax assets	*16*		**2,113**	1,871
Total non-current assets			**326,419**	329,170
Total assets	*10*	**$**	**369,103**	372,663
Liabilities and Shareholders' Equity				
Current liabilities				
Bank indebtedness	*10 & 15*	**$**	**1,584**	1,986
Accounts payable and accrued liabilities	*11*		**21,373**	22,092
Dividends payable	*14*		**6,368**	2,557
Income taxes payable	*16*		**1,412**	2,078
Current portion of long-term debt	*10*		**11,250**	11,250
Total current liabilities			**41,987**	39,963
Non-current liabilities				
Long-term debt	*10*		**98,545**	118,205
Other liabilities	*11, 12 & 15(b)*		**12,305**	13,240
Deferred income tax liabilities	*16*		**52,508**	50,100
Total non-current liabilities			**163,358**	181,545
Total liabilities			**205,345**	221,508
Shareholders' equity	*14*		**163,758**	151,155
Total liabilities and shareholders' equity		**$**	**369,103**	372,663

Commitments and contingencies (note 19)

See accompanying notes to the consolidated financial statements

On behalf of the Board

"signed" R.G. Steele
R.G. Steele
Director

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

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

(thousands of Canadian dollars, except per share data)	*Notes*		**2017**	**2016**
Revenue		$	**169,871**	169,531
Operating expenses			**(117,223)**	(117,740)
Depreciation and amortization	*7*		**(4,720)**	(4,864)
Accretion of other liabilities	*11*		**(257)**	(310)
Interest expense	*10*		**(4,430)**	(4,766)
Impairment charge	*9*		**(5,500)**	-
Business acquisition, integration, disposal, and other (expense) income	*5, 6 & 15(a)*		**(145)**	889
Profit before provision for income taxes			**37,596**	42,740
Provision for income taxes	*16*			
Current			**(9,223)**	(9,379)
Deferred			**(1,683)**	(2,377)
			(10,906)	(11,756)
Profit		$	**26,690**	30,984
Earnings per share	*17*			
- Basic		$	**1.04**	1.19
- Diluted			**0.99**	1.14
Weighted average number of shares outstanding *(thousands)*	*17*			
- Basic			**25,557**	26,079
- Diluted			**26,841**	27,284

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*		**2017**	**2016**
Profit		$	**26,690**	30,984
Other comprehensive income (loss)				
Cash flow hedges:				
Net movement on interest rate swap	*15(b)*		**-**	(180)
Income tax recovery	*16*		**-**	53
Amounts reclassified to profit			**-**	(127)
Defined benefit plan actuarial (losses) gains	*12*		**(328)**	353
Income tax recovery (expense)	*16*		**101**	(110)
Amounts that will not be reclassified to profit			**(227)**	243
Other comprehensive (loss) income			**(227)**	116
Comprehensive income		$	**26,463**	31,100

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 14)*	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained earnings** *(note 14)*	**Total shareholders' equity**
Balance as at January 1, 2017	$	33,023	2,326	(27)	115,833	151,155
Comprehensive income		-	-	(227)	26,690	26,463
Dividends declared		-	-	-	(12,753)	(12,753)
Repurchase of share capital		(210)	-	-	(1,531)	(1,741)
Exercise of executive stock options		79	(79)	-	-	-
Executive stock option compensation expense		-	634	-	-	634
Balance as at December 31, 2017	**$**	**32,892**	**2,881**	**(254)**	**128,239**	**163,758**

See accompanying notes to the consolidated financial statements

(thousands of Canadian dollars)		**Issued share capital** *(note 14)*	**Contributed surplus**	**Accumulated other comprehensive loss**	**Retained earnings** *(note 14)*	**Total shareholders' equity**
Balance as at January 1, 2016	$	34,488	2,483	(143)	99,346	136,174
Comprehensive income		-	-	116	30,984	31,100
Dividends declared		-	-	-	(5,123)	(5,123)
Repurchase of share capital		(1,707)	-	-	(9,374)	(11,081)
Exercise of executive stock options		242	(242)	-	-	-
Executive stock option compensation expense		-	85	-	-	85
Balance as at December 31, 2016	**$**	**33,023**	**2,326**	**(27)**	**115,833**	**151,155**

See accompanying notes to the consolidated financial statements

Newfoundland Capital Corporation Limited
Consolidated Statements of Cash Flows - For the years ended December 31

(thousands of Canadian dollars)	*Notes*	**2017**	2016
Operating activities			
Profit before provision for income taxes		$ **37,596**	42,740
Items not involving cash			
Depreciation, amortization and accretion of other liabilities		**4,977**	5,174
Impairment charge	*9*	**5,500**	-
Gain on disposal of broadcasting assets	*6*	**(938)**	-
Share-based compensation expense	*13*	**634**	85
Realized and unrealized (gains) losses on investments	*15(a)*	**(294)**	(834)
Interest expense		**4,430**	4,766
Other		**(15)**	(635)
		51,890	51,296
Net change in non-cash working capital balances related to operations	*18*	**836**	(64)
Cash generated from operations		**52,726**	51,232
Interest paid		**(4,404)**	(5,262)
Income taxes paid		**(9,893)**	(9,140)
Net cash flows from operating activities		**38,429**	36,830
Financing activities			
Change in bank indebtedness		**(402)**	238
Long-term borrowings		**1,000**	10,500
Long-term debt repayments		**(20,750)**	(27,250)
Dividends paid	*14*	**(8,942)**	(2,566)
Repurchase of share capital	*14*	**(1,741)**	(11,081)
Other		**(162)**	-
Net cash flows used in financing activities		**(30,997)**	(30,159)
Investing activities			
Property and equipment additions	*7*	**(3,841)**	(5,978)
Acquisition of business, net of cash acquired	*5*	**(7,016)**	-
Proceeds on disposal of broadcasting assets	*6*	**5,250**	-
Canadian Content Development commitment payments		**(1,827)**	(2,394)
Proceeds from disposal of marketable securities		**-**	1,663
Other		**2**	38
Net cash flows used in investing activities		**(7,432)**	(6,671)
Cash, beginning and end of year		**$ -**	-

See accompanying notes to the consolidated financial statements

1. Reporting entity

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

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 8, 2018.

2. Basis of Preparation

Statement of compliance

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

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

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the defined benefit pension liability, which is recognized as the net total of the plan assets and the present value of the defined benefit obligation.

3. Significant accounting estimates and assumptions

Consolidated financial statements prepared in conformity with IFRS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

The most significant judgments made in the preparation of the Company's financial statements include judgments related to the determination that broadcast licences have indefinite lives and identifying cash-generating units ("CGUs") based on whether or not there exists interdependency of customers and revenue between radio stations. The Company has concluded that broadcast licences are indefinite life intangible assets because they are renewed every seven years without significant cost and there is a low likelihood of the renewal being denied. For those licences that management monitors together and for which there are shared costs, resources and infrastructure, the Company has performed a quantitative analysis of the cash inflows from customers to determine interdependency and conclude on appropriate CGU groupings.

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

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell ("FVLCS") and its value-in-use ("VIU"). The FVLCS calculation is based on available data from binding sales in an arm's-length transaction of similar assets, observable market prices, or discounted cash flow projections less incremental costs for disposing of the asset. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in note 9.

Employee future benefit plans

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

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, considers the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details about the assumptions used are further explained in note 12.

Income taxes

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries, all of which have a principal place of business in Canada:

Company	Principal activity
Newcap Inc.	Radio broadcasting
Glynmill Inn Inc.	Hotel operation
8504580 Canada Inc.	Radio broadcasting
8384827 Canada Inc.	Radio broadcasting
8384860 Canada Inc.	Radio broadcasting
8384878 Canada Inc.	Radio broadcasting
N L Broadcasting Ltd.	Radio broadcasting
Matricon Holdings Ltd.	Radio broadcasting

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

Basis of consolidation *(continued)*
The results of 8384886 Canada Inc., previously a wholly-owned subsidiary, have been included until the date of its sale on June 30, 2017, as discussed in note 6.

These subsidiaries are controlled by the Company and are wholly owned. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

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

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

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

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

After initial recognition, goodwill and broadcast licences are recorded at cost less any accumulated impairment losses. Both goodwill and broadcast licences have indefinite useful lives and are not amortized. Broadcast licences are deemed indefinite life assets since they are renewed every seven years without significant cost, with the unlikely chance that the renewal will be denied; therefore, there is no foreseeable limit to the period over which broadcast licences are expected to generate net cash flows for the Company.

Impairment testing of goodwill, other intangible assets and property and equipment
Goodwill and intangible assets with indefinite useful lives, like broadcast licences, are not amortized but are tested for impairment annually as of October 31, either individually or at the CGU level. Intangible assets with finite lives and property and equipment are amortized over their useful life and assessed for impairment whenever there is an indication that the asset may be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill.

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

Impairment testing of goodwill, other intangible assets and property and equipment *(continued)*
An impairment loss is recognized for the amount by which the assets or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management considers the higher of FVLCS and VIU. For VIU and FVLCS, management estimates expected future cash flows from each asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved five-year budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements.

Discount factors are determined individually for each asset or CGU and reflect their respective risk profiles as assessed by management.

Impairment losses for CGUs first reduce the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other long-lived assets in the CGU. However, an individual asset is not impaired below its recoverable amount if determinable. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount. Any reversal of impairment is limited to the carrying amount that would have been determined, net of depreciation and amortization, before impairment.

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

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

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

The estimated useful lives of the assets are as follows:

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

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

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

Deferred tenant inducements

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

Income taxes

Current income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the provinces where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each consolidated statement of financial position date. It is possible that additional liability could result. Where the final tax outcome of these matters is different from the amounts that were recorded, the tax provision will be affected in the period in which the final outcome is determined.

Deferred income taxes

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

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

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

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

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

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

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

Income taxes *(continued)*

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

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

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

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

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

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

Revenue recognition
Revenue earned from the sale of advertising airtime is recognized in the accounts once the broadcasting of the advertisement has occurred. Revenue is recorded net of any agency commissions as these charges are paid directly to the agency by the advertiser. Revenue earned from the hotel operation as well as office space rental and related services revenue is recognized as services are provided.

The Company, from time to time, exchanges airtime for products and services. These non-monetary transactions are measured at the fair value of the consideration received or receivable.

Business acquisition, integration, disposal and other (expense) income 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.

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

Financial instruments

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

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

Asset/Liability	Classification	Measurement
Investment (included in *other assets)*	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Bank indebtedness	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Dividends payable	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
CCD (included in *other liabilities)*	Other liabilities	Amortized cost

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. The investment included in *other assets* was designated as FVTPL upon initial recognition. Financial instruments classified as FVTPL are measured at fair value with unrealized gains and losses recorded immediately in profit or loss. The fair value of the investment included in *other assets* is based on the quoted share prices in active markets for an underlying security. This asset was designated as FVTPL on initial recognition as it provides more relevant information because it is evaluated by the Company's key management personnel using its fair value, in accordance with the Company's investment strategy. 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 at amortized cost using the EIM less any impairment. Under the EIM, interest income and expense are calculated and recorded using the effective interest rate, which is the rate that discounts estimated future cash receipts or payments throughout the expected life of the financial instrument to the fair value at initial recognition.

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

Impairment of financial instruments

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

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

Pension benefits

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

Defined contribution pension plan

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

Defined benefit pension plans

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

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

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

The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Share-based payments

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

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

Share-based payments *(continued)*
The Company measures all equity-settled share-based awards made to employees and others providing similar services (collectively, "employees") based on the fair value of the options on the date of grant. The grant date fair value of executive stock options is estimated using an option pricing model and is recognized as employee benefits expense over the vesting period, based on the number of options that are expected to vest, with a corresponding increase recognized in contributed surplus. The fair value estimate requires determination of the most appropriate inputs to the pricing model.

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

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

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

New and future accounting standards
The following are the accounting standards adopted by the Company in 2017 and the future accounting standards not yet effective.

Adoption of new accounting standards

IAS 7, "Statement of Cash Flows" ("IAS 7")
In January 2016, as part of their disclosure initiative, the IASB issued amendments to IAS 7, requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The Company has adopted the amendments to IAS 7; however, they did not have a material impact on the consolidated financial statements.

Future accounting standards

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has concluded that there will be no significant changes to the pattern of revenue recognition, however, more robust disclosure will be required. The Company intends to adopt the new standard on the required effective date.

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

Future accounting standards *(continued)*

IFRS 9, "Financial Instruments" ("IFRS 9")
In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. The Company is in the process of assessing the impact of IFRS 9 and does not anticipate that the new standard will significantly affect the consolidated financial statements. The Company intends to adopt the new standard on the required effective date.

IFRS 16, "Leases" ("IFRS 16")
In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. This standard would be effective for the Company's annual periods beginning after January 1, 2019, with early adoption permitted. To assess the impact of this new standard, the Company has formed an internal working group and continues to progress on its in-depth assessment of IFRS 16 on the Company's consolidated financial statements. The Company expects that IFRS 16 will result in an increase in assets and liabilities as the majority of leases will be brought onto the consolidated statements of financial position. The Company expects an increase in depreciation and interest expenses and also an increase in cash flow from operating activities as cash payments for the principal portion of the lease will be recorded as financing outflows in the consolidated statements of cash flows. The Company intends to adopt the new standard on the required effective date.

IFRS 2, "Share-based Payment" ("IFRS 2")
In June 2016, the IASB issued three amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions, which are intended to eliminate diversity in the application of this standard. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in the consolidated financial statements for the annual period beginning on January 1, 2018, however, the current policy and practice is in line with the amendments and, therefore, the Company does not expect any impact on its consolidated financial statements.

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23")
In June 2017, the IASB issued IFRIC 23 to clarify the accounting for uncertainties in income taxes under IAS 12, *Income Taxes*. It specifically considers:

- whether tax treatments should be considered collectively;
- assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.

The effective date of the interpretation is January 1, 2019. The Company is assessing the impact this new interpretation will have on its consolidated financial statements.

5. BUSINESS ACQUISITION

On June 26, 2017, the Company acquired 100% of the shares of companies that hold the radio broadcasting assets of three radio stations in Kamloops, British Columbia, for total cash consideration of $7,633,000 (or $7,016,000 net of cash acquired). Because this was a share transaction, the Company did not receive full tax basis on the assets acquired and this resulted in the recognition of deferred income tax liabilities as set out in the table below.

The Company completed this transaction to grow its presence in British Columbia. The purchase was financed by operating cash flows and proceeds on the disposal of CISL-AM as discussed in note 6. The major assets acquired included cash, receivables, broadcast licences, goodwill and property and equipment while certain trade payables and accrued liabilities were assumed. Goodwill arose primarily as a result of the deferred income tax liabilities recognized for accounting purposes on the broadcast licences and property and equipment acquired. The accounting value of goodwill in the table below does not have any deferred tax liability associated with it because it is not deductible for tax purposes.

The purchase price was allocated to the net assets acquired on a preliminary basis at the estimated fair values on the acquisition date using the acquisition method of accounting. Certain adjustments have been made to the preliminary purchase price allocation as a result of adjustments to working capital balances. The following table sets out the net assets acquired, based on final determinations of fair value:

(thousands of Canadian dollars)	Preliminary	Adjustments	**Revised**
Cash	$ 639	(22)	**617**
Receivables	713	(40)	**673**
Prepaid expenses	40	31	**71**
Property and equipment	1,203	-	**1,203**
Broadcast licences	5,514	-	**5,514**
Goodwill	1,412	-	**1,412**
Total assets acquired	9,521	(31)	**9,490**
Current liabilities assumed	(193)	(35)	**(228)**
Deferred income tax liabilities	(1,629)	-	**(1,629)**
Net assets acquired	$ 7,699	(66)	**7,633**

Earnings have been included in profit since the date of acquisition. Included in the consolidated statements of income related to this acquisition was $1,812,000 of revenue and $139,000 profit (excluding the acquisition-related transactions costs that included CCD commitments of $372,000, which are recognized in business acquisition, disposal, integration and other (expense) income on the consolidated statements of income). Revenue and profit of the acquired stations in 2017 prior to acquisition were $1,753,000 and $132,000, respectively. Pro-forma revenue including the results of the acquired stations, as though the acquisition date for this transaction had been January 1, 2017, would have been $171,624,000 and pro-forma profit, on the same basis, excluding interest and accretion expense would have been $26,822,000.

6. DISPOSAL OF BROADCASTING ASSETS

On June 30, 2017, the Company completed the sale of 8384886 Canada Inc. which held the CISL-AM broadcast licence in Vancouver, British Columbia, for $5,250,000, resulting in a gain on disposal of $938,000, net of certain restructuring costs related to the disposal. This gain was recorded in business acquisition, integration, disposal, and other (expense) income on the consolidated statements of income. This was a share transaction, and as such, the Company has derecognized certain deferred income tax liabilities that had been recorded as a result of taxable temporary differences recognized relating to the assets sold.

The major classes of assets and liabilities disposed of were as follows:

(thousands of Canadian dollars)		
Non-current assets		
Property and equipment	**$**	**907**
Broadcast licence		**3,801**
Goodwill		**452**
Total assets disposed of		**5,160**
Non-current liabilities		
Deferred income tax liabilities		**(1,045)**
Net assets disposed of	**$**	**4,115**

7. PROPERTY AND EQUIPMENT

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

(thousands of Canadian dollars)	Land	Building structures	Major building components	Radio equipment and digital automation	Towers and transmitters	Computer hardware, software and peripherals	Furniture, fixtures and office equipment	Leasehold improvements	Vehicles	Total
Cost										
Balance as at December 31, 2015	$ 2,262	4,646	5,445	20,409	31,828	6,700	6,988	11,536	1,202	**91,016**
Additions	3,136	-	297	568	654	904	268	229	58	**6,114**
Reclassifications	-	(40)	40	-	-	-	-	-	-	**-**
Disposals	-	-	(2)	(4,965)	(2,691)	(3,326)	(1,639)	(761)	(247)	**(13,631)**
Balance as at December 31, 2016	5,398	4,606	5,780	16,012	29,791	4,278	5,617	11,004	1,013	**83,499**
Additions	-	252	320	966	464	747	391	646	331	**4,117**
Additions through business acquisition *(note 5)*	-	-	-	114	827	25	80	157	-	**1,203**
Disposals	(63)	(32)	(86)	(4)	(469)	(51)	(58)	-	(113)	**(876)**
Disposal of broadcasting assets *(note 6)*	-	-	-	(106)	(901)	-	(8)	(51)	-	**(1,066)**
Balance as at December 31, 2017	**$ 5,335**	**4,826**	**6,014**	**16,982**	**29,712**	**4,999**	**6,022**	**11,756**	**1,231**	86,877
Accumulated depreciation and amortization										
Balance as at December 31, 2015	$ -	(570)	(2,581)	(13,222)	(14,017)	(5,550)	(5,275)	(5,871)	(832)	**(47,918)**
Depreciation and amortization for the year	-	(62)	(227)	(1,156)	(1,704)	(502)	(323)	(743)	(147)	**(4,864)**
Disposals	-	-	2	4,954	2,697	3,316	1,627	761	219	**13,576**
Balance as at December 31, 2016	-	(632)	(2,806)	(9,424)	(13,024)	(2,736)	(3,971)	(5,853)	(760)	**(39,206)**
Depreciation and amortization for the year	-	(54)	(185)	(1,157)	(1,474)	(582)	(353)	(767)	(148)	**(4,720)**
Disposals	-	5	33	3	335	51	56	-	104	**587**
Disposal of broadcasting assets *(note 6)*	-	-	-	15	128	-	1	15	-	**159**
Balance as at December 31, 2017	**$ -**	**(681)**	**(2,958)**	**(10,563)**	**(14,035)**	**(3,267)**	**(4,267)**	**(6,605)**	**(804)**	(43,180)
Net Book Value										
As at December 31, 2016	$ 5,398	3,974	2,974	6,586	16,767	1,542	1,646	5,151	253	**44,291**
As at December 31, 2017	**5,335**	**4,145**	**3,056**	**6,419**	**15,677**	**1,732**	**1,755**	**5,151**	**427**	**43,697**

8. OTHER ASSETS

(thousands of Canadian dollars)	**2017**	**2016**
Accrued pension benefit asset *(note 12)*	**1,319**	1,173
Other	**990**	716
	2,309	1,889

9. GOODWILL, BROADCAST LICENCES AND OTHER INTANGIBLE ASSETS

Goodwill and broadcast licences are tested for impairment annually on October 31 and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill and broadcast licences having indefinite useful lives was based on VIU and FVLCS calculations as of October 31, 2017 and 2016. A discounted cash flow model is used to determine the Company's VIU and FVLCS. As FVLCS of CGUs is determined with significant unobservable inputs, it is considered level 3 within the fair value hierarchy. 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, 2017 and 2016.

(thousands of Canadian dollars)		**Goodwill**	**Broadcast licences**
Cost			
Balance as at December 31, 2015	$	23,511	271,603
Additions		—	35
Balance as at December 31, 2016		23,511	271,638
Additions		—	8
Additions, business acquisition *(note 5)*		1,412	5,514
Disposals		(452)	(3,801)
Balance as at December 31, 2017	$	**24,471**	**273,359**
Accumulated Impairment			
Balance as at December 31, 2015 and 2016	$	(4,456)	(9,574)
Impairment charge		—	(5,500)
Balance as at December 31, 2017	**$**	**(4,456)**	**(15,074)**
Net Book Value			
As at December 31, 2016	$	19,055	262,064
As at December 31, 2017		**20,015**	**258,285**

Additions

The 2017 additions to broadcast licences were a result of the launch of an FM radio station in Hinton, Alberta and the 2016 additions to broadcast licences were a result of the launch of an FM radio station in Newfoundland and Labrador.

Disposals

The disposals in 2017 represented the carrying value of the CISL-AM licence and related goodwill which was sold in June 2017. Additional details on this disposal are included in note 6.

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

Impairment charges

In 2017, the Company recognized a broadcast licence impairment charge of $5,500,000. There has been no reversal of any prior year impairment charges in 2017. During 2016, there were no impairment charges and no reversal of any prior year impairment charges.

The impairment charge in 2017 related to a CGU in rural Alberta. The decline in the financial results of that CGU were due to persistent weak economic conditions as well as an outlook for the region that did not demonstrate any supportable improvement or rebound in the near term. The recoverable amount of this CGU was calculated to be $7,500,000, which was $5,500,000 lower than its carrying value of $13,000,000. The recoverable amount was calculated based on the VIU of this CGU, using a WACC of 10.0% (2016 - 9.9%). The impairment amount was applied to broadcast licences only. There is no goodwill within this CGU and all other assets within this CGU had a fair value equal to or exceeding carrying value.

Annual impairment assessments

For the purposes of assessing impairment, broadcast licences are grouped at the CGU level, which is the lowest level for which there are largely independent cash inflows. For broadcast licence impairment testing purposes, the Company has identified 23 CGUs, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals are included as a separate line on the consolidated statements of income.

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.

Cash-generating units

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

(thousands of Canadian dollars)		**2017**	2016
Goodwill			
Toronto	$	**11,215**	11,215
Vancouver		**2,839**	3,291
All other CGUs [(1)]		**5,961**	4,549
	$	**20,015**	19,055
Broadcast licences			
Toronto	$	**78,266**	78,266
Vancouver		**27,059**	30,860
Edmonton		**29,278**	29,278
All other CGUs [(1)]		**123,682**	123,660
	$	**258,285**	262,064

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

Recoverable amounts

The recoverable amounts of the CGUs have been determined based on the greater of their FVLCS and VIU. The Company's VIU and FVLCS calculations are performed 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 1.0% growth rate, which is based on historical inflation rates and the Company's estimate of future industry performance. The pre-tax discount rates applied to cash flow projections, which were derived from the Company's weighted average cost of capital, ranged from 12.3% to 15.3% as at October 31, 2017 and from 11.8% to 14.7% as at October 31, 2016.

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

Key assumptions used in VIU and FVLCS calculations

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

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

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

Growth rates and market share assumptions - Growth rates used over the five-year budget period are largely based on historical growth rates achieved for two to three years preceding the start of the budget period. The rates are increased over the budget period for anticipated improvements. The growth rates depend also on whether the CGU is a mature market station versus a start-up (defined to be in its first five years of operations). Management assesses how the CGU's market position, relative to its competitors, might change over the budget period. For most CGUs, the average growth rates used in the five-year budget period ranged between 0% and 10%. For certain recently acquired stations, those in start-up mode, and others where improvement initiatives are planned or in progress, the growth rates were as high as 20% in initial years.

Long-term growth rate estimates - Cash flows beyond the five-year period were extrapolated using a 1% growth rate, which is based upon historical inflation rates and the Company's estimate of future industry performance. Management expects the Company's share of the market to be stable over the long-term budget period.

Sensitivity to changes in assumptions

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

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

Assumption Change *(thousands of Canadian dollars)*		**Goodwill Impairment Charge**	**Broadcast Licence Impairment Charge**	**Total Impairment Charge**
Increase in pre-tax discount rate	$	-	950	950
Decrease in growth rate during five-year budget period		-	100	100
Decrease in terminal growth rate		-	700	700

10. BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of Canadian dollars)		**2017**	**2016**
Revolving term credit facility of $90 million, renewable, expires in May 2019	$	**59,500**	68,000
Non-revolving term credit facility of $90 million, repayable in quarterly instalments, expires in May 2019		**50,625**	61,875
		110,125	129,875
Less: Current portion of non-revolving credit facility		**(11,250)**	(11,250)
Less: Debt transaction costs, net of accumulated amortization of $1,234 (2016 - $979)		**(330)**	(420)
	$	**98,545**	118,205

The $90,000,000 revolving term credit facility has no set terms of repayment. The undrawn amount, net of bank indebtedness, was $28,916,000. This amount may be used to fund future operations, capital requirements and investing activities, subject to the debt covenants that are disclosed in note 15. The $90,000,000 non-revolving term credit facility is being amortized over eight years and is repayable in quarterly instalments of $2,813,000.

In June 2017, the Company amended the credit facilities to extend the maturity date to May 31, 2019 with no significant changes to other terms. 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 credit facilities.

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 had in place an interest rate swap agreement that expired in May 2017 (see note 15(b)) for a portion of its debt that fixed the floating bankers' acceptance rates. Interest on long-term debt during the year was $4,062,000 (2016 - $4,644,000).

Bank indebtedness bears interest at prime and is due on demand.

11. OTHER LIABILITIES

(thousands of Canadian dollars)		**2017**	2016
CCD commitments, net of current portion of $1,399 (2016 - $1,698) included in accounts payable and accrued liabilities	$	**3,097**	4,053
Accrued pension benefit liability *(note 12)*		**7,238**	6,977
Deferred tenant inducements		**891**	1,185
Other long-term liabilities		**1,079**	1,025
	$	**12,305**	13,240

CCD commitments are measured based on the amortized cost using the EIM which gives rise to accretion expense which amounted to $220,000 (2016 - $310,000). The EIM rates used to determine the value of CCD commitments ranged from 3.9% to 8.0%. The discounted CCD commitments are due as follows: 2018 - $1,399,000; 2019 - $1,227,000; 2020 - $1,644,000; 2021 - $53,000; 2022 - $55,000, and thereafter - $118,000. The undiscounted amount payable for CCD commitments is $4,832,000 of which $1,523,000 is current (2016 - $6,237,000 of which $1,856,000 current).

11. OTHER LIABILITIES *(continued)*

Other long-term liabilities are measured based on the amortized cost using the EIM which gives rise to accretion expense which amounted to $37,000 (2016 - $nil). The EIM rates used to determine the value of other long-term liabilities was 3.6%.

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

12. EMPLOYEE BENEFIT PLANS

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

Defined contribution pension plan
The defined contribution pension plan covers the majority of the Company's employees. The Company's contributions to the defined contribution pension plan are based on percentages of gross salaries and totalled $1,873,000 (2016 - $1,842,000).

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

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

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

The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of December 31 of each year. The obligation as at December 31, 2017 and the 2018 current service cost of the Plans are determined based on membership data as at December 31, 2017.

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

(thousands of Canadian dollars)		**2017**	**2016**
Consolidated statements of financial position			
Accrued pension benefit liability, included in other liabilities *(note 11)*	$	**(7,238)**	(6,977)
Accrued pension benefit asset, included in other assets *(note 8)*		**1,319**	1,173
Net accrued pension liability	$	**(5,919)**	(5,804)
Consolidated income statements			
Pension benefit expense, included in operating expenses	$	**329**	369
Other comprehensive gains and accumulated other comprehensive losses			
Actuarial losses (gains) recognized in other comprehensive income	$	**328**	(353)
Cumulative actuarial losses recognized in other comprehensive income		**366**	38

12. EMPLOYEE BENEFIT PLANS *(continued)*

Defined benefit pension plans *(continued)*
The following summarizes the movements in the defined benefit pension plan balances:

	2017		2016	
(thousands of Canadian dollars)	**Basic Plan**	**SRPAs**	Basic Plan	SRPAs
Accrued benefit obligations				
Balance, beginning of year	**$ 6,152**	**6,977**	5,721	7,146
Current service cost	**95**	**-**	113	-
Interest cost	**221**	**232**	213	244
Benefits paid	**(244)**	**(542)**	(178)	(533)
Actuarial losses (gains):				
Impact of changes in demographic assumptions	**(191)**	**-**	-	-
Impact of changes in financial assumptions	**233**	**108**	138	151
Impact of changes in experience adjustments	**(56)**	**463**	145	(31)
Balance, end of year	**$ 6,210**	**7,238**	6,152	6,977
Plan assets				
Fair value, beginning of year	**$ 7,325**	**-**	6,546	-
Interest income	**259**	**-**	238	-
Actuarial gains:				
Return on plan assets, excluding interest income	**229**	**-**	756	-
Administrative expenses	**(40)**	**-**	(40)	-
Employee contributions	**-**	**-**	3	-
Benefits paid	**(244)**	**-**	(178)	-
Fair value, end of year	**7,529**	**-**	7,325	-
	$ 1,319	**(7,238)**	1,173	(6,977)

The Company determined that there was no limit on the defined benefit asset (asset ceiling) because the Company has unimpaired rights to the surplus in the Basic Plan and it has the right to take contribution holidays when available.

Employer contributions to the SRPAs are estimated to be $757,000 in 2018 (2017 - $519,000).

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

	2017		2016	
(thousands of Canadian dollars)	**Basic Plan**	**SRPAs**	Basic Plan	SRPAs
Current service cost, net of employee contributions	**$ 95**	**-**	110	-
Interest cost	**221**	**232**	213	244
Interest income on plan assets	**(259)**	**-**	(238)	-
Administrative expenses	**40**	**-**	40	-
Defined benefit plan expense	**$ 97**	**232**	125	244

12. EMPLOYEE BENEFIT PLANS *(continued)*

Defined benefit pension plans *(continued)*
Actuarial gains and losses recognized in other comprehensive income are as follows:

		2017			2016		
(thousands of Canadian dollars)		**Basic Plan**	**SRPAs**	**Total**	Basic Plan	SRPAs	Total
Cumulative actuarial (gains) losses, beginning of year	**$**	**(503)**	**541**	**38**	(30)	421	391
Recognized actuarial (gains) losses during the year		**(243)**	**571**	**328**	(473)	120	(353)
Cumulative actuarial (gains) losses, end of year	**$**	**(746)**	**1,112**	**366**	(503)	541	38

The principal actuarial assumptions were as follows:

	2017		2016	
	Basic Plan	**SRPAs**	Basic Plan	SRPAs
Discount rate for the accrued net benefit obligation	**3.3%**	**3.3%**	3.6%	3.6%
Future pension increases	**1.7%**	**0.3%**	1.8%	0.4%
Future compensation increases for the accrued benefit obligation	**3.0%**	**3.0%**	3.0%	3.0%

As at December 31, 2017 and based on an actuarial review, the net remeasurement loss recorded in other comprehensive income of $328,000 was reflective of a decrease in the estimated discount rate for both plans, an experience adjustment in the SRPAs, partially offset by an updated demographic assumption in the Basic Plan and an actuarial gain on plan assets.

Plan assets for the Basic Plan consist of:

	2017	2016
Equity funds	**65%**	63%
Fixed income funds	**35%**	37%
	100%	100%

The pension plan has no direct investments in the Company nor any of its affiliates. Investments are diversified such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although there is a good portion also invested in bonds and other highly liquid assets. All assets are invested in funds where the underlying securities have quoted market prices in an active market. The Company believes that equities offer the best returns over the long-term with an acceptable level of risk.

Since the benefit obligation is adjusted to the Consumer Price Index, the pension plan is exposed to inflation. It is also exposed to interest rate risks and changes in life expectancy of pensioners. A large portion of the plan assets consist of equity shares, which are exposed to equity market risk.

12. EMPLOYEE BENEFIT PLANS *(continued)*

Defined benefit pension plans *(continued)*

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

	Change in Assumption	
(thousands of Canadian dollars)	**Increase**	**Decrease**
Discount rate - change of 0.5%	**(645)**	**709**
Future pension costs - change of 1.0%	**736**	**(311)**
Life expectancy - change by 1 year	**798**	**(792)**

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

The average duration of the defined benefit plan obligation at the end of the reporting period is 10.2 years (2016 - 10.7 years).

13. 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 $607,000 (2016 - $598,000) and is included in operating expenses.

Executive stock option plan

As at December 31, 2017, the number of Class A shares reserved for issuance pursuant to the executive stock option plan was 2,960,794. The number of Class A shares underlying outstanding options under the executive stock option plan was 1,905,000 and 1,055,794 options remained available for granting. The exercise price per share is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the shares on the last trading date preceding the date of the grant or the average closing price of the preceding 20 trading days. The expiry date of the options is established by the Board of Directors. The expiry dates range from December 2019 to December 2024. Options either vest on the date they are granted or vest over time in the following manner: 25% vest on the date of granting and 25% vest on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case shares are issued from treasury based on a formula that takes into account the market value of the Company’s Class A shares and the option’s strike price.

During the year, the Company extended the expiry date of 1,850,000 executive stock options by five years after approval was received from the Toronto Stock Exchange and shareholders as required. Compensation expense related to the stock option plan was $634,000 (2016 - $85,000), including $553,000 related to the extension of executive stock options, and was included in operating expenses.

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

Executive stock option plan *(continued)*
The fair value measurement of the expense related to the extension of expiry dates of executive stock options as well as the new executive stock options granted during the year was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Extension	New Grant
Weighted average risk-free interest rate	**1.1%**	**1.4%**
Dividend yield	**2.0%**	**2.1%**
Weighted average volatility factors of the expected market price of the Company's Class A shares	**24.9%**	**26.6%**
Weighted average expected life of the options	**5 years**	**7 years**
Weighted average fair value per option	**$0.30**	**$2.21**

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.

The following summarizes the Company's outstanding stock options which have a weighted average remaining contractual life of 5.48 years (2016 - 1.74 years).

	2017		2016	
	Number	Price*	Number	Price*
Balance, beginning of year	**1,980,000**	**$ 3.88**	2,272,500	$ 4.27
Granted	**30,000**	**9.50**	-	-
Exercised	**(105,000)**	**6.79**	(292,500)	6.92
Balance, end of year	**1,905,000**	**3.80**	1,980,000	3.88
Total options vested	**1,857,500**	**3.66**	1,930,000	3.73

* *weighted average exercise price*

Range of exercise prices	Number of Options outstanding at December 31, 2017	Weighted average remaining life	Weighted average exercise price	Number of Options exercisable at December 31, 2017	Weighted average exercise price
$2.43 - 3.89	**1,560,000**	**5.56**	**$ 2.95**	**1,560,000**	**$ 2.95**
5.83 - 7.00	**215,000**	**5.24**	**6.50**	**215,000**	**6.50**
9.50 - 9.69	**130,000**	**4.99**	**9.65**	**82,500**	**9.67**
	1,905,000	**5.48**	**3.80**	**1,857,500**	**3.66**

14. SHARE CAPITAL

	Issued shares		
	(thousands of shares)	*(thousands of Canadian dollars)*	
Balance, January 1, 2016	26,629	$	34,488
Exercise of executive stock options	100		242
Share repurchases	(1,159)		(1,707)
Balance, December 31, 2016	25,570		33,023
Exercise of executive stock options	44		79
Share repurchases	(142)		(210)
Balance, December 31, 2017	**25,472**	**$**	**32,892**

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

	Issued shares		**2017**	**2016**
	(thousands of shares)	*(thousands of Canadian dollars)*		
Class A Subordinate Voting shares (2016 - 25,570)	21,703	**$**	**32,006**	32,137
Class B Common shares (2016 - 3,769)	3,769		**886**	886
	25,472	**$**	**32,892**	33,023

The Company has also authorized an unlimited number of Class A and Class B preferred shares of which none are outstanding as at December 31, 2017 and 2016.

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

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

Share repurchases

The Company has approval under a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,090,116 Class A shares and 75,386 Class B shares. This bid became effective July 4, 2017 and expires July 3, 2018. During the year, the Company repurchased 142,500 Class A shares for cash consideration of $1,741,000 (2016 - 1,158,900 for cash consideration of $11,081,000). Included in the share repurchases were 3,400 Class A shares under the NCIB that was in effect until June 5, 2017 and 139,100 repurchases were made under the NCIB that is currently in effect. As a result of the share repurchases, issued share capital was reduced by $210,000 (2016 - $1,707,000) and retained earnings was reduced by $1,531,000 (2016 - $9,374,000).

14. Share Capital *(continued)*

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 13, 30,000 options were granted in 2017 (2016 - nil). During 2017, 105,000 options were exercised using the cashless exercise option resulting in 44,224 shares being issued from treasury. In 2016, 292,500 options were exercised using the cashless exercise option resulting in 99,973 shares being issued from treasury.

Dividends

During 2016, the Company declared dividends of $0.50 (2016 - $0.20) per Class A and Class B share for total dividends declared of $12,753,000 (2016 - $5,123,000). Dividends paid in 2017 totalled $8,942,000 (2016 - $2,566,000). Dividends payable of $2,557,000 as at December 31, 2016 were paid in January 2017.

15. Financial Instruments and Financial Risk Management

Estimated fair value of financial instruments

The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the three-month Canadian bankers' acceptance rates. The premium to bankers' acceptance rates is based on certain financial ratios and is consistent with market value. The fair values of CCD commitments approximate their carrying values as they were initially recorded at the net present value of their future cash flows, using a discount rate that remains consistent with fair value.

The following table outlines the fair value (equals carrying value), of financial instruments, all of which are level 2 within the fair value hierarchy:

(thousands of Canadian dollars)

Description		Total
Financial assets at fair value through profit or loss		
Investment included in *other assets*	**$**	**794**
Other liabilities at amortized cost, with fair values disclosed		
Long-term debt, excluding unamortized credit facility fees		**(110,125)**
CCD commitments		**(4,496)**

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

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

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

Offsetting financial assets and liabilities

The Company offsets its positive cash balances with bank indebtedness in accordance with its mirror-netting agreement with a Canadian chartered bank. Positive cash balances as at December 31, 2017 were equal to $3,484,000 (2016 - $826,000) while negative cash balances were $5,068,000 (2016 - $2,812,000), which resulted in a net negative balance of $1,584,000 (2016 - $1,986,000). The Company does not offset any other financial instruments.

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

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however, the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated $42,241,000 as at December 31, 2017 (2016 - 42,914,000), which represented the accounts receivable balance. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totalled $993,000 as at December 31, 2017 (2016 - $1,068,000). The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off during the year approximated $541,000 (2016 - $292,000). The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which includes quoted share prices in active markets and interest rates.

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

As at December 31, 2017 the Company did not hold any marketable securities but did hold a long-term investment that is recorded in *other assets* and did hold marketable securities during the prior year. Investment values can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the value of any one particular investment, the Company only invested a limited amount of funds in marketable securities.

During the year, $294,000 was recorded as an unrealized gain in business acquisition, integration, disposal and other (expense) income as a result of changes in the fair value of investments. In 2016, gains of $834,000 were recognized, of which $1,292,000 was comprised of unrealized mark-to-market gains and $458,000 was realized losses on disposition.

As at December 31, 2017, a 10% change in the value of the Company's long-term investment would result in an estimated $67,000 change in profit.

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

Market risk *(continued)*

b) Interest rate risk management

The Company is exposed to interest rate risk on the long-term debt issued at floating rates under its credit facilities. A 0.5% change in the floating interest rates would have had a $380,000 impact on profit for the year.

The Company had in place an interest rate swap agreement with a Canadian chartered bank to hedge its exposure to fluctuating interest rates on its long-term debt. The swap had a notional amount of $45,000,000 and expired in May 2017. The swap agreement involved the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates was settled quarterly with the bank and recorded as an increase or decrease to interest expense. Changes in fair value of the swap were recorded in profit.

At year-end, there was no remaining liability related to the aggregate fair value of the swap (December 31, 2016 - $268,000 liability, all of which was classified as current).

Liquidity risk

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

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

Obligation *(thousands of Canadian dollars)*		**12 months**	**2019-2022**	**Thereafter**
Long-term debt, excluding debt transaction costs *(note 10)*	**$**	**11,250**	**98,875**	**-**
Bank indebtedness		**1,584**	**-**	**-**
Accounts payable and accrued liabilities, net of current portion of undiscounted CCD commitments		**19,850**	**-**	**-**
Dividends payable		**6,368**	**-**	**-**
Income taxes payable		**1,449**	**-**	**-**
CCD commitments, undiscounted *(note 11)*		**1,523**	**3,171**	**138**
	$	**42,024**	**102,046**	**138**

Assuming long-term debt is renewed in 2019, and at subsequent maturity dates, which is consistent with past practice, the payments would be $39,375,000 for the years 2019 to 2022 and $59,500,000 thereafter.

Capital risk

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

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

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at December 31, 2017.

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)		**2017**	2016
Statutory income tax rate		**31%**	31%
Provision for income taxes based on the statutory income tax rate applied to profit before provision for income taxes	**$**	**11,655**	13,249
Increase (decrease) in income taxes due to:			
Subsidiary rate differential		**(1,432)**	(1,495)
Increase in corporate income tax rates causing increase in deferred taxes		**151**	333
Revision to estimate for uncertain tax positions		**(37)**	(112)
Non-deductible (taxable) portion of capital losses (gains)		**203**	(137)
Share-based compensation		**197**	27
Other		**169**	(109)
	$	**10,906**	11,756
The components of the provision for income taxes are as follows:			
Current	**$**	**9,223**	9,379
Deferred		**1,683**	2,377
	$	**10,906**	11,756

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)	2017	2016
Deferred income tax assets		
Canadian Content Development commitments	$ **1,668**	2,035
Tax loss carryforwards	**577**	1,363
Employee benefit plans	**1,677**	1,637
Other	**307**	554
Deferred income tax liabilities		
Property and equipment	**(3,271)**	(3,089)
Broadcast licences and goodwill	**(51,353)**	(50,729)
Net deferred income tax liability	$ **(50,395)**	(48,229)
Reflected in the consolidated statements of financial position as follows:		
Long-term deferred income tax assets	$ **2,113**	1,871
Long-term deferred income tax liabilities	**(52,508)**	(50,100)
	$ **(50,395)**	(48,229)

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

(thousands of Canadian dollars)	2017	2016
Opening net deferred income tax liability	$ **(48,229)**	(45,795)
Deferred income tax expense recognized in profit	**(1,683)**	(2,377)
Deferred income tax liabilities due to business acquisitions *(note 5)*	**(1,629)**	-
Deferred income tax liabilities disposed of *(note 6)*	**1,045**	-
Deferred income tax recovery (expense) recognized in OCI	**101**	(57)
Net deferred income tax liability	$ **(50,395)**	(48,229)

The Company recognizes the benefits of capital and non-capital loss carryforwards as deferred income tax assets to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. The deferred income tax asset of $577,000 related to non-capital loss carryforwards. As at December 31, 2017, the Company had available non-capital loss carryforward balances equal to $2,093,000 (2016 - $4,267,000), which will expire as follows: $100,000 in 2028; $355,000 in 2033; 109,000 in 2034; $1,358,000 in 2035; and $171,000 in 2036. As at December 31, 2017, the Company had $nil capital loss carryforward balances (2016 - $1,608,000) that are available for the reduction of capital gains in future years and do not expire.

16. PROVISION FOR INCOME TAXES *(continued)*

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

(thousands of Canadian dollars)		**2017** Profit	**2017** OCI	2016 Profit	2016 OCI
Deferred income tax assets					
Canadian Content Development commitments	$	**368**	**-**	166	-
Tax loss carryforwards		**786**	**-**	(76)	-
Employee benefit plans		**61**	**(101)**	18	110
Other		**246**	**-**	136	(53)
Deferred income tax liabilities					
Property and equipment		**149**	**-**	235	-
Broadcast licences and goodwill		**73**	**-**	1,898	-
	$	**1,683**	**(101)**	2,377	57

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 share transactions during the year which are disclosed in note 14.

Diluted earnings per share amounts are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive instruments which are convertible into ordinary shares. During the year, no executive stock options (2016 - 100,000) were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

(thousands)	**2017**	**2016**
Weighted average number of common shares used in calculation of basic earnings per share	**25,557**	26,079
Effect of dilution related to executive stock options	**1,284**	1,205
Weighted average number of common shares used in calculation of diluted earnings per share	**26,841**	27,284

18. SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of Canadian dollars)		**2017**	**2016**
Net change in non-cash working capital balances related to operations			
Receivables	$	**1,271**	(2,886)
Prepaid expenses		**282**	(153)
Accounts payable and accrued liabilities		**(717)**	2,975
	$	**836**	(64)

19. COMMITMENTS AND CONTINGENCIES

Business acquisition

During the year, the Company entered into a purchase and sale agreement to acquire two FM radio stations in New Glasgow, Nova Scotia. The purchase is subject to CRTC approval and will result in a net increase in long-term debt and other liabilities of approximately $3,300,000, which includes the Company's obligation to fund CCD payments over a seven-year period.

Operating leases and other

The Company has total commitments of $20,204,000 under operating leases for properties and equipment. Minimum annual amounts under these leases are as follows: 2018 - $5,971,000; 2019 - $4,893,000; 2020 - $3,428,000; 2021 - $2,145,000; 2022 - $1,467,000 and thereafter of $2,300,000.

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

Legal claims

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

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 and is a strategic business unit that offers different services and is managed separately. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations as well as office space rental and related services revenue. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization, accretion of other liabilities, impairment charge, and business acquisition, integration, disposal and other (expense) income.

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

20. OPERATING SEGMENT INFORMATION *(continued)*

Details of segment operations are set out below:

(thousands of Canadian dollars)	Broadcasting	Corporate and other	Total
2017			
Revenue	**$ 165,446**	**4,425**	**169,871**
Operating expenses	**(103,420)**	**(13,803)**	**(117,223)**
Segment profit (loss)	**62,026**	**(9,378)**	**52,648**
Depreciation, amortization and accretion of other liabilities	**(4,378)**	**(599)**	**(4,977)**
Interest expense	**-**	**(4,430)**	**(4,430)**
Impairment charge	**(5,500)**	**-**	**(5,500)**
Business acquisition, integration, disposal and other income (expense)	**412**	**(557)**	**(145)**
Profit (loss) before provision for income taxes	**$ 52,560**	**(14,964)**	**37,596**
Assets employed	**$ 353,118**	**15,985**	**369,103**
Liabilities	**(17,112)**	**(188,233)**	**(205,345)**
Other disclosures			
Broadcast licences carrying value	**258,285**	**-**	**258,285**
Goodwill carrying value	**20,015**	**-**	**20,015**
Capital expenditures	**(2,719)**	**(1,122)**	**(3,841)**
2016			
Revenue	$ 165,029	4,502	169,531
Operating expenses	(103,779)	(13,961)	(117,740)
Segment profit (loss)	61,250	(9,459)	51,791
Depreciation, amortization and accretion of other liabilities	(4,677)	(497)	(5,174)
Interest expense	-	(4,766)	(4,766)
Business acquisition, integration, disposal and other income	64	825	889
Profit (loss) before provision for income taxes	$ 56,637	(13,897)	42,740
Assets employed	$ 357,900	14,763	372,663
Liabilities	(23,385)	(198,123)	(221,508)
Other disclosures			
Broadcast licences carrying value	262,064	-	262,064
Goodwill carrying value	19,055	-	19,055
Capital expenditures	(2,120)	(3,858)	(5,978)

21. Transactions with Key Management Personnel and Related Parties

Key management personnel

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

(thousands of Canadian dollars)		2017	2016
Short-term benefits			
Salaries including bonuses	$	**3,655**	3,365
Other		**303**	304
Post-employment benefits			
Defined benefit pension plan expense		**125**	135
Defined contribution pension plan expense		**66**	64
Share-based compensation expense		**380**	85
	$	**4,529**	3,953

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

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, and retirement benefits. Personal benefits and other perquisite benefits provided to senior management relate to employer contributions toward the Company's Employee Share Purchase Plan and to life insurance policies.

Related parties

Related parties of the Company include Directors and key management personnel, their family members and companies over which they have significant influence or control. At December 31, 2017, Directors of the Company controlled 89% of the Class A shares and 98% of the Class B shares of the Company. The Company has transacted with related parties during the reporting period. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties having normal trade terms.

The Company sold advertising to companies controlled by the CEO and other Directors during the reporting period. Included in revenue was $1,023,000 (2016 - $1,078,000) for services provided. The Company provided office space, information technology support and had cost recoveries from companies controlled by the CEO and other Directors during the year. Included in the consolidated statements of income was $588,000 (2016 - $446,000) for services provided. Included in receivables as at December 31, 2017 was $129,000 (2016 - $57,000) for services provided to related parties.

The Company purchased goods and services from companies controlled by the CEO and other Directors during the year. Included in operating expenses was $485,000 (2016 - $420,000) related to goods and services purchased during the year. Included in accounts payable and accrued liabilities as at December 31, 2017 was $12,000 (2016 - $44,000) for goods and services purchased.

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