

Newfoundland Capital Corporation Limited

Second Quarter 2011

Period Ended June 30 (unaudited)



Dartmouth, N.S. – August 4, 2011, Newfoundland Capital Corporation Limited (“Company”) today announces its financial results for the second quarter ending June 30, 2011.

Highlights

- **Revenue** of \$33.4 million was \$3.0 million or 10% higher than last year. Year-to-date revenue of \$60.0 million was \$4.2 million or 7% higher than 2010. These increases were attributable to organic (same-station) revenue growth.
- **Earnings before interest, taxes, depreciation and amortization (“EBITDA”⁽¹⁾)** of \$11.1 million in the quarter were \$4.9 million or 78% higher than last year and year-to-date EBITDA was \$16.1 million; \$5.1 million or 47% better than 2010. In comparing the current period EBITDA to the prior year, two non-recurring items should be considered. First, to date in 2011 the Company has lower net corporate expenses due to its executive compensation hedge which reduced compensation expense by \$1.1 million. Second, the 2010 results include copyright fee expenses of \$1.8 million which related to prior periods. Excluding these items, EBITDA was still significantly better than the prior year – 25% higher for the three months ended June 30, 2011 and 17% higher year-to-date, primarily attributable to improved revenue.
- **Profit for the period** of \$5.9 million was \$2.5 million or 76% higher than the same quarter last year. Year-to-date profit of \$8.8 million was \$4.0 million or 84% better than the same period in 2010. These increases were due to improved EBITDA as well as the increase in market value of marketable securities.
- **The Board of Directors declared a dividend** of \$0.06 per share on each of the Company’s Class A Subordinate Voting Shares and Class B Common Shares on August 4, 2011, payable on September 15, 2011 to all shareholders of record as at August 31, 2011.

Significant events

- During the quarter, the Company announced that it has entered into an agreement to sell CKJS AM and CHNK FM in Winnipeg, Manitoba for \$5.5 million, subject to the approval of the Canadian Radio-television and Telecommunications Commission (“CRTC”).
- In May 2011 the Company’s Slave Lake, Alberta operation was destroyed by fire. The Company is currently broadcasting from temporary facilities until a new permanent location is built.
- Subsequent to quarter end, the Company entered into agreements to acquire two FM stations in the Okanagan Valley region of British Columbia for \$7.0 million, subject to the approval of the CRTC.

“2011 is shaping up to be another great year for the Company. Double-digit revenue growth this quarter has contributed to significant EBITDA growth”, commented Rob Steele, President and Chief Executive Officer. “Our focus on maximizing audience share combined with a great sales effort is expected to continue to drive results.”

Financial Highlights – Second Quarter

(thousands of Canadian dollars except share information)

	2011	2010
Revenue	\$ 33,448	30,406
EBITDA ⁽¹⁾	11,090	6,216
Profit for the period	5,895	3,353
Earnings per share – basic	0.19	0.10
Share price, NCC.A (closing)	8.79	7.20
Weighted average number of shares outstanding (in thousands)	30,322	32,972
Total assets	236,545	231,985
Long-term debt, including current portion	60,271	51,044
Shareholders’ equity	107,629	113,422

(1) Refer to page 11 for the reconciliation of EBITDA to profit.

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 unaudited condensed consolidated interim financial statements ("interim financial statements") and related notes for the periods ended June 30, 2011 and 2010 prepared in accordance with International Financial Reporting Standards ("IFRS"), and the interim financial statements and related notes for the periods ended March 31, 2011 and 2010 prepared in accordance with IFRS, as well as the annual audited consolidated financial statements and related notes prepared in accordance with Canadian generally accepted accounting principles and the MD&A contained in the Company's 2010 Annual Report. The Company's second quarter 2011 interim financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). These interim financial statements include the accounts of the Company and other entities in which the Company controls in accordance with IAS 27 "Consolidated and Separate Financial Statements" and are reported in Canadian dollars. These documents along with the Company's Annual Information Form, its Management Proxy Circular dated March 21, 2011 and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. This information is also available on the Company's website at www.ncc.ca.

The Board of Directors, upon recommendation of the Audit and Governance Committee, approved the content of this MD&A on August 4, 2011. Disclosure contained in this document is current to this date, unless otherwise stated.

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements and forward-looking information within the meaning of Canadian provincial securities laws. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", "should", "would", "plan" and other similar terminology relate to, but are not limited to, 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. As a result, there is no guarantee that any forward-looking statements will materialize and readers are cautioned not to place undue reliance on these statements. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Risks and Opportunities section of this MD&A. 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.

CORPORATE PROFILE

Newfoundland Capital Corporation Limited ("the Company") is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 63 FM and 18 AM licences which can be heard throughout Canada. Most of our stations are globally accessible via the internet and various mobile device applications, allowing listeners the flexibility to tune in to our stations at anytime from anywhere. The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

STRATEGY AND OBJECTIVES

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

This year the Company will continue to grow its existing operations by increasing advertising revenue and remaining focused on controlling discretionary costs to drive EBITDA margins. It will launch recently awarded AM to FM conversions and continue to explore acquisition and expansion opportunities that fit the Company's acquisition objectives and it will make applications to the CRTC for new licences and additional AM to FM conversions. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

CORPORATE DEVELOPMENTS

The following is a review of the key corporate developments which should be considered when reviewing the "Consolidated Financial Review" section. The results of the acquired or launched stations have been included in the interim financial statements since the respective acquisition and launch dates.

2011 Developments:

- February – received CRTC approval for a repeater in North West River, Newfoundland and Labrador which went on air in July.
- February – launched Brooks, Alberta AM to FM conversion. The Company is also expecting to launch the St. Paul FM conversion late 2011 or early 2012.

- May – the Company announced that it had entered into an agreement to sell CKJS AM and CHNK FM in Winnipeg, Manitoba for \$5.5 million, subject to CRTC approval.
- August – The Company announced it had entered into agreements to acquire two FM stations in the Okanagan Valley region of British Columbia for \$7.0 million, subject to the approval of the CRTC.

2010 Developments:

- February – launched the four repeater signals in Prince Edward Island.
- February – received CRTC approval to convert the AM station in Westlock, Alberta to FM. This station is expected to launch in 2011.
- March – CFRQ-FM, otherwise known as Q104, serving Halifax, Nova Scotia was named mid-market station of the year during Canada Music Week.
- September – received CRTC approval for a repeater in Springdale, Newfoundland and Labrador and approval to convert the AM station in Grande Cache, Alberta to FM. Grand Cache was launched in June 2011.
- October – launched AM to FM conversions in High Prairie, Alberta and Wabush and Goose Bay, Newfoundland and Labrador.

Adoption of International Financial Reporting Standards (“IFRS”)

The Company has adopted IFRS for its year ended December 31, 2011, with restatement of 2010 comparative figures. The IFRS transition date was January 1, 2010. The first reporting period for the Company was the three months ended March 31, 2011. The interim financial statements, including the 2010 comparative figures, have been prepared in accordance with IAS 34, “Interim Financial Reporting”.

While there were many changes in numbers relating to financial results and financial position, the adoption of IFRS did not result in material changes to EBITDA or profit. Shareholder’s Equity as at June 30, 2010 increased by \$6.6 million which is the net effect of all transitional adjustments as disclosed in note 14(j) of the interim financial statements. The June 30, 2010 statement of financial position, income statement, statement of comprehensive income and statement of cash flows were restated and reconciliations from Canadian GAAP to IFRS are disclosed in note 14 of the interim financial statements. Some of the most note-worthy adjustments to Shareholders’ Equity arose from the changes in carrying value of broadcast licences and the related deferred tax balances. Complete details on the Company’s transition to IFRS are included in note 14 of the interim financial statements.

Financial information contained in the MD&A for 2010 and 2011 are comparative because the Company restated 2010 to be in accordance with IFRS. Financial information prior to January 1, 2010 was not restated as this was not required under the transition rules. Where historical information is presented in the MD&A that has not been restated to IFRS, it has clearly been noted as such.

CONSOLIDATED FINANCIAL REVIEW

Because of the pending transaction to dispose of the Winnipeg operations, the results from discontinued operations have been excluded from the 2010 comparative figures and presented as one line item in the table below. More detailed disclosures are contained in note 5 of the interim financial statements.

Consolidated Financial Results of Operation

(thousands of Canadian dollars, except percentages)

	Three months ended June 30			Six months ended June 30		
	2011	2010	Growth	2011	2010	Growth
Revenue	\$ 33,448	30,406	10%	60,001	55,824	7%
Operating expenses	22,358	24,190	(8%)	43,944	44,867	(2%)
EBITDA ⁽¹⁾	11,090	6,216	78%	16,057	10,957	47%
Depreciation and amortization	960	954	1%	1,950	1,895	3%
Interest expense	1,423	786	81%	2,583	1,550	67%
Accretion of other liabilities	130	187	(30%)	259	374	(31%)
	8,577	4,289	100%	11,265	7,138	58%
Other income (expense)	(7)	585	—	1,576	34	—
Profit from continuing operations before income taxes	8,570	4,874	76%	12,841	7,172	79%
Provision for income taxes	2,660	1,471	81%	3,983	2,207	80%
Profit from continuing operations	5,910	3,403	74%	8,858	4,965	78%
Loss from discontinued operations	(15)	(50)	—	(55)	(180)	—
Profit for the period	\$ 5,895	3,353	76%	8,803	4,785	84%

(1) EBITDA - Earnings before interest, taxes, depreciation and amortization – refer to page 11 for reconciliation to profit

Revenue

In the quarter, consolidated revenue of \$33.4 million was \$3.0 million higher than last year; for the six month period ended June 30, 2011 revenue of \$60.0 million was \$4.2 million higher than 2010. This improvement came exclusively from the broadcasting segment.

Operating expenses

Consolidated operating expenses of \$22.4 million were \$1.8 million lower than the second quarter last year and year-to-date operating expenses of \$43.9 million were \$0.9 million lower than 2010. In comparing the current period operating expenses to the prior year, two non-recurring items should be considered. First, to date in 2011 the Company has lower net corporate expenses due to its executive compensation hedge reducing compensation expense by \$1.1 million, fully described under the heading "Corporate and Other Segment". Second, the 2010 results include copyright fee expenses of \$1.8 million which related to prior periods, fully described under the heading "Broadcasting Segment".

EBITDA

Consolidated EBITDA in the quarter of \$11.1 million was \$4.9 million higher than last year. Year-to-date EBITDA was \$16.1 million; \$5.1 million better than 2010. Excluding the non-recurring items in the comparison of operating expenses, EBITDA was 25% higher than 2010 for the three months ended June 30, 2011 and 17% higher than 2010 year-to-date, primarily attributable to improved revenue.

A more detailed discussion on revenue, operating expenses and EBITDA are described in the section entitled "Financial Review by Segment".

Depreciation and amortization

In the quarter and year-to-date, depreciation and amortization expense was on par with 2010.

Interest expense

Interest expense in the second quarter and year-to-date was higher than the prior year due to higher average debt levels due to the Company's repurchases of capital stock in the last twelve months.

Accretion of other liabilities

Accretion of other liabilities arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. The expense decreases as CCD obligations are drawn down.

Other income

Other income generally consists of gains and losses, realized and unrealized, on the Company's marketable securities and on the disposal of assets. *Other income* in the quarter was lower than last year and year-to-date was higher in 2011 primarily due to unrealized mark-to-market changes in the value of the Company's marketable securities.

Provision for income taxes

The provision for income taxes is higher than 2010 due to improved pre-tax profit. The effective income tax rate was 31% which is slightly lower than the statutory rate of 32.5% primarily due to the non-taxable portion of unrealized mark-to-market gains.

Loss from discontinued operations

The Company has entered into an agreement to sell its radio stations in Winnipeg, Manitoba and has therefore recorded the financial results from these cash-generating units separately as discontinued operations.

Profit for the period

Second quarter profit of \$5.9 million was \$2.5 million higher than last year. Year-to-date profit of \$8.8 million was \$4.0 million better than the same period in 2010. The increase was due to improved financial results in the broadcasting segment as well as higher *other income*.

Other comprehensive income ("OCI")

OCI consists of the net change in the fair value of the Company's cash flow hedges and actuarial gains and losses arising on the Company's defined benefit pension plans. The cash flow hedges include interest rate swaps and an equity total return swap. OCI is higher than the prior period due to the change in market interest rates.

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operation of the Company's two separately reported segments – Broadcasting and Corporate and Other. The Company provides information about segment revenue, segment EBITDA and operating profit because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 12 of the Company's interim financial statements.

Broadcasting Segment

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

Cash-generating units ("CGU's") within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. The following summarizes the key operating results of the broadcasting segment. The results from discontinued operations have been excluded from the 2010 comparative figures.

Broadcasting Financial Results of Operation

<i>(thousands of Canadian dollars, except percentages)</i>	Three months ended June 30			Six months ended June 30		
	2011	2010	% Change	2011	2010	% Change
Revenue	\$ 32,415	29,496	10%	58,155	54,104	7%
Operating expenses	20,090	21,697	(7%)	39,520	40,080	(1%)
EBITDA	\$ 12,325	7,799	58%	18,635	14,024	33%
EBITDA margin	38%	26%	12%	32%	26%	6%

Revenue

Broadcasting revenue in the quarter of \$32.4 million was \$2.9 million or 10% better than last year. Year-to-date broadcasting revenue of \$58.2 million was \$4.1 million or 7% higher than 2010. The increase came entirely from organic (same-station) revenue growth.

The central region radio properties (Ottawa and Sudbury) led the way in revenue growth for the Company achieving an increase of 20% year-to-date followed by the western properties which were up 10%. The overall industry growth was 3%.

The Company enjoyed some of its best ratings results in late 2010 and again in the Spring of 2011 and the effect of these results has contributed to revenue growth and is expected to continue to positively impact revenue bookings in 2011.

Operating expenses

For the quarter, broadcasting operating expenses were \$20.1 million, 7% or \$1.6 million lower than last year. Year-to-date, operating expenses of \$39.5 million were also lower than 2010 by 1% or \$0.6 million. In 2010 the Copyright Board issued a ruling on certain tariffs that was retroactive to January 2008. As a result, in the second quarter of 2010 the Company recorded an increase in its copyright fees of \$2.3 million, \$1.8 million of which related to 2008 and 2009. Excluding the \$1.8 million retroactive portion of that adjustment from 2010 figures, operating expenses for the quarter in 2010 would have been \$19.9 million and \$38.3 million year-to-date, which is lower than 2011. Increased variable costs on higher revenue are the primary reason for the increase in operating expenses.

EBITDA

Second quarter broadcasting EBITDA of \$12.3 million was 58% better than 2010 while year-to-date EBITDA of \$18.6 million was 33% higher than 2010. Excluding the impact of the Copyright fees described above, EBITDA would have been 28% higher than 2010 for the quarter and 18% better year-to-date due to improved revenues.

Corporate and Other Segment

The Corporate and Other segment derives its revenue from hotel operations. Corporate and Other expenses are related to head office functions and hotel operations.

Corporate and Other Financial Results of Operation

<i>(thousands of Canadian dollars, except percentages)</i>	Three months ended June 30			Six months ended June 30		
	2011	2010	% Change	2011	2010	% Change
Revenue	\$ 1,033	910	14%	1,846	1,720	7%
Operating expenses	2,268	2,493	(9%)	4,424	4,787	(8%)
EBITDA	\$ (1,235)	(1,583)	22%	(2,578)	(3,067)	16%

Revenue

Revenue in the second quarter of \$1.0 million was higher by 14% and \$1.8 million year-to-date was 7% higher than last year.

Operating expenses

Second quarter operating expenses of \$2.3 million were 9% lower than last year while year-to-date operating expenses of \$4.4 million were 8% lower than 2010. As described on page 8, the Company incurs compensation expense related to its stock appreciation rights plan. The Company offsets this expense with proceeds that are receivable under its equity total return swap hedge instrument. Year-to-date the Company's proceeds under its hedging instrument are greater than the related compensation expense giving rise to a net reduction of compensation related expenses of \$1.1 million.

EBITDA

EBITDA was 22% higher than the same quarter last year and 16% higher than the six months ended June 30, 2010 because of decreased expenses.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Company's revenue and operating results vary depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is generally lower. The fourth quarter tends to be a period of higher retail spending. In 2010 the Company recognized the increased copyright fees in the second quarter and a broadcast licence impairment charge in the fourth quarter. In 2009, a gain on the disposal of a broadcasting licence of \$5.6 million in the third quarter positively impacted profit. The results from discontinued operations have been excluded from the 2009 and 2010 comparative figures for revenue.

<i>(thousands of Canadian dollars except per share data)</i>	2011		2010				2009⁽²⁾	
	2nd	1st	4th	3rd	2nd	1st	4th	3rd
Revenue	\$ 33,448	26,553	31,839	28,378	30,406	25,418	30,051	25,039
Profit for the period	5,895	2,908	3,834	3,013	3,353	1,429	5,461	6,209
Earnings per share								
– Basic	0.19	0.10	0.12	0.09	0.10	0.04	0.17	0.19
– Diluted	0.19	0.09	0.12	0.09	0.10	0.04	0.16	0.18

(2) The comparative figures for 2009 are based on Canadian generally accepted accounting principles.

Selected cash flow information – six months ended June 30, 2011

Cash flows from operating activities of \$5.8 million combined with net borrowings of \$7.9 million were used to repurchase capital stock for \$8.7 million, pay dividends of \$1.9 million and to purchase property and equipment totaling \$2.4 million.

Selected cash flow information – six months ended June 30, 2010

Cash from operating activities was \$8.7 million. During the six month period, the Company repaid \$5.6 million of long-term debt, paid dividends of \$3.3 million, purchased \$1.0 million of property and equipment and paid \$0.8 million toward CCD commitments.

Capital expenditures and capital budget

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

FINANCIAL CONDITION

Total assets

Assets of \$236.5 million were \$5.2 million higher than December 31, 2010. This was largely due to increased trade receivables due to higher revenues and the Canada Post labour disruption interruptions. In the three weeks following quarter end the Company has deposited approximately \$7.0 million to reduce the balance of receivables.

Liabilities, shareholders' equity and capital structure

As at June 30, 2011 the Company had \$2.3 million of current bank indebtedness outstanding and \$60.3 million of long-term debt, classified as current because the maturity date was within the next twelve months as at quarter end (see further discussion below). The capital structure consisted of 46% equity (\$107.6 million) and 54% liabilities (\$128.9 million) at quarter end.

LIQUIDITY

Liquidity risk

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

Credit facility and covenants

In July 2011 the Company extended the expiry date of its syndicated revolving credit facility to June 30, 2013 as well as increased the capacity of the facility from \$76.5 million to \$90.0 million, and reduced its interest rates by 50 basis points. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. Under IFRS, long-term debt maturing within the next twelve months must be classified as current on the statement of financial position. Since the extension of the facility was not finalized by June 30, 2011, the Company has presented its long-term debt as a current liability. Although the debt facility is presented as a current liability on the statement of financial position, liquidity risk remains low.

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

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

Positive cash balances

The Company does not maintain any significant positive cash balances; instead it uses the vast majority of its positive cash balances to reduce debt and minimize interest expense. As a result, the Company nets its deposits in banks with bank indebtedness. The fact that the Company does not have positive cash positions on its balance sheet does not pose an increase to its liquidity risk because the Company generates cash from operations and, as part of its \$90.0 million credit facility, it has a \$5.0 million current operating credit line to fund any current obligations and it can also access any unused capacity in its credit facility to fund obligations.

Working capital requirements

As at June 30, 2011, the Company's working capital balance, excluding long-term debt classified as a current liability, was \$5.2 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a \$5.0 million operating credit line.

Future cash requirements

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development payments, dividends and other contractual obligations. The recently announced business transactions represent a net outflow of \$1.5 million. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements.

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There has been no substantial change in the Company's commitments and contractual obligations since the publication of the 2010 Annual Report with the exception of the increase in long-term debt and subsequent events described below.

SHARE CAPITAL

Outstanding share data

The weighted average number of shares outstanding at June 30, 2011 was 30,465,000 (2010 – 32,972,000). As of this date, there are 26,553,000 Class A Subordinate Voting Shares ("Class A Shares") and 3,772,000 Class B Common Shares ("Class B Shares") outstanding.

Dividends

Dividends of \$0.06 per Class A Share and Class B Share were declared in December 2010 to all shareholders of record as of December 31, 2010. The dividends were paid January 31, 2011. On August 4, 2011, the Board of Directors declared dividends of \$0.06 per share to all shareholders of record on August 31, 2011, payable on September 15, 2011.

Share repurchases

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. In February 2011, pursuant to the Normal Course Issuer Bid which expires February 8, 2012, the Company repurchased for cancellation 1,388,072 of its outstanding Class A Shares for \$8.7 million. As a result of these share repurchases, capital stock was reduced by \$2.0 million and retained earnings by \$6.7 million. No shares were repurchased during the second quarter of 2011 or 2010.

EXECUTIVE COMPENSATION

Executive stock option plan

Pursuant to the Company's executive stock option plan disclosed in note 8 of the interim financial statements, during the quarter 315,000 options were exercised (2010 – \$nil) using the cashless exercise option and as a result 180,000 shares were issued from treasury. Year-to-date the number of options exercised was 360,000 (2010 – \$nil); 345,000 using the cashless exercise option resulting in 186,000 shares being issued from treasury while 15,000 were exercised for cash proceeds of \$0.1 million (2010 – \$nil). No options were granted in the quarter (2010 – \$nil) and 60,000 options were granted year-to-date (2010 – 60,000) at a weighted average exercise price of \$6.75 (2010 – \$6.77).

Compensation expense related to stock options for the quarter was less than \$0.1 million (2010 – less than \$0.1 million) and for the six months ended June 30, 2011 was less than \$0.1 million (2010 – \$0.1 million). Refer to note 8 of the interim financial statements for further details relating to the executive stock option plan.

Stock appreciation rights plan

During the second quarter 15,000 SARS were exercised (2010 – 350,750) for cash proceeds of less than \$0.1 million (2010 – \$0.5 million). Year-to-date, 565,750 SARS (2010 – 380,350) were exercised for cash proceeds of \$0.7 million (2010 – \$0.5 million). Compensation expense related to SARs in the second quarter was \$0.5 million (2010 – \$0.3 million) and year-to-date compensation expense was \$0.5 million (2010 – \$0.2 million). The total obligation for SARS compensation was \$0.9 million of which \$0.6 million was current and classified as accounts payable and accrued liabilities (2010 – compensation payable was \$1.3 million, of which \$1.2 million was current).

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

For more detailed disclosures about derivative financial instruments and financial risk management, refer to note 10 of the interim financial statements.

Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into two interest rate swap agreements with Canadian chartered banks. The swap agreements expire in 2013 and involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The aggregate notional amount of the swap agreements was \$55.0 million (2010 – \$55.0 million). The aggregate fair value payable of the swap agreements was \$2.7 million (2010 – \$3.6 million). Hedge accounting applies for a notional amount of \$50.0 million. The net change in OCI was less than \$0.1 million in the quarter (2010 – \$0.4 million loss) and year-to-date was a \$0.3 million gain (2010 – \$0.1 million loss).

Share price volatility management

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

In the second quarter, the Company wound-up a portion of its equity total return swap. 805,000 of the 1,275,000 notional Class A shares under the swap agreement were terminated. The Company amended the terms of the remaining notional Class A shares under the swap agreement to extend the expiry date to July 2013; however, the instrument does not qualify for hedge accounting and as such, gains and losses are recorded immediately through profit. The recognition of gains and losses through OCI no longer applies.

Total realized before-tax income for the second quarter recorded in profit was \$1.2 million and year-to-date was \$1.6 million. During the second quarter of 2010, the before-tax change in fair value of the swap recorded in OCI was income of \$0.4 million and the year-to-date income was \$0.3 million. The realized portion of the income transferred from OCI to profit was \$0.5 million in the quarter and \$0.5 million for the six months ended June 30, 2010. The estimated fair value of the equity total return swap receivable based on the Class A shares' market price at June 30, 2011 was \$1.2 million (2010 – \$1.3 million).

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. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries and only invests a certain amount of funds in marketable securities. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels.

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. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. 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 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. Counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Capital Management

The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that 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.

Future Accounting Standards

IFRS 7 Financial Instruments: Disclosures

Amendments to IFRS 7 will increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment beginning in the first quarter of 2012. The amendment affects disclosure only and the Company expects there to be no impact on the Company's financial position or performance.

IFRS 9 Financial Instruments

IFRS 9 was issued to replace IAS 39, "Financial Instruments: Recognition and Measurement". This is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities,' or 'structured entities' as they are now referred to in the new standards). The changes will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements

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

Because the new standard uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, the previous standard focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement. IFRS 11 is effective for

annual periods commencing on or after January 1, 2013. The Company does not currently have any interest in joint ventures and therefore does not expect any implications of this new standard.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes a number of new disclosures that are required. One of the most significant changes is that an entity is now required to disclose the judgments made to determine whether it controls another entity. IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in this new standard are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The disclosure requirements are substantial and could present additional challenges. IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

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

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12) concerns the determination of deferred tax on investment property measured at fair value. The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 Investment Property. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2010 Annual Report except for certain items that required additional analysis pursuant to the Company's adoption of IFRS which were disclosed in the Company's Management's Discussion and Analysis for the first quarter ending March 31, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's off-balance sheet arrangements consist of operating leases. Other than these, which are considered in the ordinary course of business, the Company does not have any other off-balance sheet arrangements and does not expect to enter into any other such arrangement other than in the ordinary course of business.

RISKS AND OPPORTUNITIES

There has been no substantial change in the Company's risks and opportunities since the publication of the 2010 Annual Report with the following exception.

In June 2011, the Copyright Board announced that Re:Sound was proposing new royalties on broadcasting revenue that would be collected by Re:Sound commencing in January 2012. The outcome and the impact on the Company's results are not known at this time.

SUBSEQUENT EVENTS

Subsequent to quarter end, the Company entered into agreements to acquire two FM stations in the Okanagan Valley region of British Columbia for \$7.0 million, subject to the approval of the CRTC.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred in the six months ending June 30, 2011 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

The Company's positive momentum has continued with achieving double-digit growth in the second quarter and forward bookings remain strong. The success is attributed to the Company's long-standing successful operating strategy, with a clear focus on maximizing operating margins by growing its listener base and effective sales efforts to monetize its audience.

The Company has demonstrated steady growth in its asset base and its number of broadcast licences. The Company continues to review all acquisition opportunities that would complement the Company's investment criteria and growth strategy and management continues to apply for licences in new communities, and seek approval from the CRTC wherever possible, to convert additional AM stations to FM which will generate immediate top line growth.

Non-IFRS Accounting Measure

⁽¹⁾*EBITDA is defined as profit from continuing operations for the period excluding depreciation and amortization expense, interest expense, accretion of other liabilities, other (income) expense and provision for income taxes. A calculation of this measure is as follows:*

<i>(thousands of Canadian dollars)</i>	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<i>Profit from continuing operations for the period</i>	<i>\$ 5,910</i>	<i>3,403</i>	<i>8,858</i>	<i>4,965</i>
<i>Provision for income taxes</i>	<i>2,660</i>	<i>1,471</i>	<i>3,983</i>	<i>2,207</i>
<i>Other expense (income)</i>	<i>7</i>	<i>(585)</i>	<i>(1,576)</i>	<i>(34)</i>
<i>Accretion of other liabilities</i>	<i>130</i>	<i>187</i>	<i>259</i>	<i>374</i>
<i>Interest expense</i>	<i>1,423</i>	<i>786</i>	<i>2,583</i>	<i>1,550</i>
<i>Depreciation and amortization expense</i>	<i>960</i>	<i>954</i>	<i>1,950</i>	<i>1,895</i>
<i>EBITDA</i>	<i>\$ 11,090</i>	<i>6,216</i>	<i>16,057</i>	<i>10,957</i>

This measure 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. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management.

Newfoundland Capital Corporation Limited

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the three months and six months ended June 30, 2011 and 2010

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor if an auditor has not performed a review of the interim financial statements.

The accompanying unaudited condensed consolidated interim financial statements (“interim financial statements”) of the Company for the three months and six months ended June 30, 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company’s management.

The Company’s independent auditors, Ernst & Young LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

Dated this 4th day of August, 2011

Consolidated Statement of Financial Position

(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	June 30 2011	December 31 2010
ASSETS			
Current assets			
Marketable securities	10(a)	\$ 6,556	5,286
Receivables	10	28,906	25,589
Prepaid expenses		1,444	977
Other assets	10(c)	1,250	1,339
Current assets held for disposal	5	253	—
<i>Total current assets</i>		38,409	33,191
Non-current assets			
Property and equipment	3, 14(a)	33,821	34,686
Other assets	4, 14(d),(g)	3,639	3,614
Broadcast licences	4, 14(b)	148,801	148,766
Goodwill	4, 14(c)	6,109	6,109
Deferred income tax assets	14(h)	4,589	5,022
Non-current assets held for disposal	5	1,177	—
Total assets		\$ 236,545	231,388
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness		\$ 2,285	1,380
Accounts payable and accrued liabilities	8, 14(f)	17,069	20,909
Dividends payable		—	1,891
Income taxes payable		13,772	10,626
Current portion of long-term debt	10	60,271	—
Current liabilities held for disposal	5	93	—
<i>Total current liabilities</i>		93,490	34,806
Non-current liabilities			
Long-term debt	10	—	53,158
Other liabilities	8, 10(b), 14(f),(g)	16,684	17,865
Deferred income tax liabilities	14(h)	18,629	18,376
Non-current liabilities held for disposal	5	113	—
Total liabilities		128,916	124,205
Shareholders' equity <i>(see Statement of Changes in Shareholders' Equity)</i>		107,629	107,183
Total liabilities and shareholders' equity		\$ 236,545	231,388

Subsequent events (note 13)

See accompanying notes to the interim financial statements

Consolidated Income Statement

(unaudited)

<i>(thousands of Canadian dollars except per share data)</i>	Notes	Three months ended		Six months ended	
		June 30		June 30	
		2011	2010	2011	2010
Revenue		\$ 33,448	30,406	60,001	55,824
Operating expenses	14(f),(g)	22,358	24,190	43,944	44,867
Depreciation and amortization	14(a),(d)	960	954	1,950	1,895
Operating profit		10,130	5,262	14,107	9,062
Interest expense		1,423	786	2,583	1,550
Accretion of other liabilities		130	187	259	374
		8,577	4,289	11,265	7,138
Other income (expense)		(7)	585	1,576	34
Profit from continuing operations before provision for income taxes		8,570	4,874	12,841	7,172
Provision for income taxes					
Current		2,317	1,103	3,299	1,854
Deferred		343	368	684	353
	14(i)	2,660	1,471	3,983	2,207
Profit from continuing operations		5,910	3,403	8,858	4,965
Loss from discontinued operations	5	(15)	(50)	(55)	(180)
Profit for the period		\$ 5,895	3,353	8,803	4,785
Earnings per share from continuing operations	11,14				
– basic		\$ 0.19	0.10	0.29	0.15
– diluted		0.19	0.10	0.28	0.15
Earnings per share	11,14				
– basic		\$ 0.19	0.10	0.29	0.15
– diluted		0.19	0.10	0.28	0.14

See accompanying notes to the interim financial statements

Consolidated Statements of Comprehensive Income

(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2011	2010	2011	2010
Profit for the period		\$ 5,895	3,353	8,803	4,785
Other comprehensive income (loss):					
Cash flow hedges:					
Net movement on interest rate swaps	10(b)	(57)	(542)	351	(145)
Income tax recovery (expense)	10(b)	15	145	(94)	39
		<u>(42)</u>	<u>(397)</u>	<u>257</u>	<u>(106)</u>
Net movement on total equity return swap	10(c)	—	(109)	—	(219)
Income tax recovery	10(c)	—	35	—	72
		<u>—</u>	<u>(74)</u>	<u>—</u>	<u>(147)</u>
Other comprehensive income (loss)		<u>(42)</u>	<u>(471)</u>	<u>257</u>	<u>(253)</u>
Comprehensive income		\$ 5,853	2,882	9,060	4,532

See accompanying notes to the interim financial statements

Consolidated Statement of Changes in Shareholders' Equity

(unaudited)

<i>(thousands of Canadian dollars)</i>	Issued share capital (note 6)	Contributed surplus (notes 7,14(f))	Accumulated other comprehensive loss	Retained earnings (notes 6,14(j))	Total
Balance at January 1, 2011	\$ 40,813	2,176	(2,202)	66,396	107,183
Profit for the period	—	—	—	8,803	8,803
Other comprehensive income	—	—	257	—	<u>257</u>
Total comprehensive income					9,060
Repurchase of share capital	(2,002)	—	—	(6,742)	(8,744)
Issue of share capital	849	(849)	—	—	—
Exercise of options	84	—	—	—	84
Executive stock option compensation expense	—	46	—	—	46
Balance at June 30, 2011	\$ 39,744	1,373	(1,945)	68,457	107,629

See accompanying notes to the interim financial statements

<i>(thousands of Canadian dollars)</i>	Issued share capital (note 6)	Contributed surplus (notes 7,14(f))	Accumulated other comprehensive loss	Retained earnings (note 14(j))	Total
Balance at January 1, 2010	\$ 42,913	2,038	(1,897)	65,763	108,817
Profit for the period	—	—	—	4,785	4,785
Other comprehensive loss	—	—	(253)	—	<u>(253)</u>
Total comprehensive income					4,532
Executive stock option compensation expense	—	73	—	—	73
Balance at June 30, 2010	\$ 42,913	2,111	(2,150)	70,548	113,422

See accompanying notes to the interim financial statements

Consolidated Statement of Cash Flows

(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Six months ended June 30	
		2011	2010
Operating Activities			
Profit from continuing operations			
before provision for income taxes	14	\$ 12,841	7,172
Items not involving cash from continuing operations			
Depreciation and amortization	14(a),(d)	1,950	1,895
Share-based payment (recovery)	8,14(f)	568	248
Accretion of other liabilities	10	259	374
Unrealized gains on marketable securities	10(a)	(1,270)	(817)
Other		(91)	(594)
		<u>14,257</u>	<u>8,278</u>
Net change in non-cash working capital from continuing operations		<u>(5,899)</u>	<u>2,922</u>
		8,358	11,200
Interest paid		(2,379)	(1,751)
Income taxes paid		<u>(121)</u>	<u>(323)</u>
Net cash flows from operating activities from continuing operations		5,858	9,126
Net cash flows from operating activities from discontinued operations		<u>(49)</u>	<u>(433)</u>
Net cash flows from operating activities		<u>5,809</u>	<u>8,693</u>
Financing Activities			
Change in bank indebtedness		905	1,813
Long-term debt borrowings (repayments)		7,000	(5,600)
Dividends paid	6	(1,891)	(3,297)
Repurchase of capital stock	6	(8,744)	—
Proceeds from exercise of stock options	6	84	—
		<u>(2,646)</u>	<u>(7,084)</u>
Investing Activities			
Property and equipment additions	3	(2,403)	(986)
Canadian Content Development commitment payments		(739)	(805)
Other		(21)	182
		<u>(3,163)</u>	<u>(1,609)</u>
Cash, beginning and end of period		\$ —	—

See accompanying notes to the interim financial statements

1. REPORTING ENTITY

Newfoundland Capital Corporation Limited (the “Company”) is incorporated in Nova Scotia, Canada. The address of the Company’s registered office of business is 745 Windmill Road, Dartmouth, Nova Scotia, B3B 1C2. The Company’s primary activity is radio broadcasting. These unaudited condensed consolidated interim financial statements (“interim financial statements”) comprise the financial position of the Company and its subsidiaries, together referred to as the “Company”.

These interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors on August 4, 2011.

2. BASIS OF PRESENTATION

Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standards 34 (“IAS”), Interim Financial Reporting, and accordingly, they do not include all of the information and disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements. The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation of the interim financial statements for the three month period ended March 31, 2011. In addition, the interim financial statements for the three month period ended March 31, 2011 contained certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these interim financial statements should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the interim financial statements for the three month period ended March 31, 2011. Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Company’s equity and its profit and cash flows applicable to June 30, 2010 are provided in note 14.

These interim financial statements have been prepared in accordance with those IFRS standards and IFRS Interpretations Committee (“IFRIC) interpretations issued and effective or issued and early adopted as at the date of these statements (August 4, 2011). 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.

Notes to the Condensed Consolidated Interim Financial Statements – June 30, 2011 and 2010 (unaudited)

3. PROPERTY AND EQUIPMENT

		Land	Building structures	Major building components	Radio equipment	Towers and transmitters	Computer hardware, software and peripherals	Furniture and fixtures	Leasehold improvements	Vehicles	Total
<i>(thousands of Canadian dollars)</i>											
Cost											
Balance at December 31, 2010	\$	2,344	3,282	4,295	15,822	22,009	4,582	5,383	7,803	626	66,146
Additions		—	50	19	205	1,249	470	198	48	164	2,403
Disposals		—	—	—	(125)	(57)	(125)	(28)	(46)	(21)	(402)
Less discontinued operations		(108)	(201)	(208)	(110)	(811)	(130)	(59)	—	—	(1,627)
Balance at June 30, 2011		2,236	3,131	4,106	15,792	22,390	4,797	5,494	7,805	769	66,520
Accumulated depreciation											
Balance at December 31, 2010		—	(356)	(1,742)	(9,969)	(8,905)	(3,752)	(3,643)	(2,599)	(494)	(31,460)
Depreciation for the year		—	(19)	(87)	(574)	(603)	(223)	(165)	(273)	(33)	(1,977)
Disposals		—	—	—	73	24	128	19	23	21	288
Less discontinued operations		—	12	44	50	198	115	31	—	—	450
Balance at June 30, 2011	\$	—	(363)	(1,785)	(10,420)	(9,286)	(3,732)	(3,758)	(2,849)	(506)	(32,699)
Net book value											
At December 31, 2010	\$	2,344	2,926	2,553	5,853	13,104	830	1,740	5,204	132	34,686
At June 30, 2011		2,236	2,768	2,321	5,372	13,104	1,065	1,736	4,956	263	33,821

Please refer to note 14 for additional information related to depreciation expense.

4. 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 value-in-use calculations as of the IFRS transition date and as of the fiscal year end 2010. A discounted cash flow model is used to determine the Company's value-in-use.

<i>(thousands of Canadian dollars)</i>	Goodwill	Broadcast Licences	Other Intangible Assets
Cost			
Balance, December 31, 2010	\$ 7,045	156,631	205
Additions, internally-developed	—	35	—
Balance, June 30, 2011	<u>\$ 7,045</u>	<u>156,666</u>	<u>205</u>
Accumulated amortization and impairment			
Balance, December 31, 2010	\$ (936)	(7,865)	(184)
Amortization	—	—	(16)
Balance, June 30, 2011	<u>\$ (936)</u>	<u>(7,865)</u>	<u>(200)</u>
Net book value			
At December 31, 2010	\$ 6,109	148,766	21
At June 30, 2011	\$ 6,109	148,801	5

Additions

The additions to internally-developed broadcast licences consisted of the direct costs attributed to launching one conversion from AM to FM in 2011.

Impairment analysis

For the purposes of assessing impairment, broadcast licences are grouped at the cash-generating unit ("CGU") level which is the lowest level for which there are largely independent cash inflows. As a result, some broadcast licences are tested individually for impairment and some are tested at the CGU level. For broadcast licence impairment testing purposes, the Company has identified twenty CGU's, based on geographical areas where interdependent cash inflows exist. Impairment charges and reversals are included as a separate line on the income statement.

The Company's annual impairment assessment date is October 31. For the quarter ended June 30, 2011, there were no new circumstances that would indicate impairment arose in any CGU.

Goodwill is allocated to those CGU's that are expected to benefit from synergies of the related business combination and represent the lowest level within the Company at which management monitors goodwill. As of June 30, 2011, there was no goodwill impairment.

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In May 2011, the Company entered into an agreement to sell CKJS AM and CHNK FM in Winnipeg, Manitoba for \$5,500,000. The financial results from these cash-generating units have been treated as discontinued operations in the interim consolidated income statement and statement of cash flows for both 2011 and 2010. The assets and liabilities held for disposal have been segregated on the interim statement of financial position. The results from these cash-generating units were also excluded from the Broadcasting segment results in segmented information presented in note 12 of the interim financial statements. This transaction is subject to the approval of the Canadian Radio-television and Telecommunications Commission ("CRTC").

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

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

<i>(thousands of Canadian dollars)</i>	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Revenue	\$ 346	379	673	667
Operating expenses	(344)	(426)	(705)	(877)
Depreciation and amortization	(22)	(22)	(44)	(47)
	(20)	(69)	(76)	(257)
Accretion of other liabilities	(2)	(3)	(5)	(6)
Loss before income taxes	(22)	(72)	(81)	(263)
Provision for income tax recovery	7	22	26	83
Loss from discontinued operations	\$ (15)	(50)	(55)	(180)

The major classes of assets and liabilities held for disposal are as follows:

<i>(thousands of Canadian dollars)</i>	June 30 2011
Current assets:	
Accounts receivable and other current assets	\$ 253
Non-current assets:	
Property and equipment	1,177
Total assets held for sale	1,430
Current liabilities:	
Accounts payable	93
Non-current liabilities:	
CCD obligations	23
Deferred income tax liabilities	90
Total liabilities held for sale	206
Net assets of discontinued operations	\$ 1,224

6. SHARE CAPITAL

	<i>(thousands of shares)</i>	<i>(thousands of Canadian dollars)</i>
Balance, December 31, 2010	31,512	\$ 40,813
Share repurchase	(1,388)	(2,002)
Exercise of stock options	201	933
Balance, June 30, 2011	30,325	\$ 39,744

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 1,388,072 Class A shares and 75,434 Class B shares. This bid expires February 8, 2012. On February 15, 2011 the Company repurchased 1,388,072 Class A shares pursuant to this Normal Course Issuer Bid for \$8,744,000. As a result of these share repurchases, capital stock was reduced by \$2,002,000 and retained earnings by \$6,742,000. The Company did not repurchase any of its outstanding Class A shares as at June 30, 2010.

Exercise of stock options

Pursuant to the Company's executive stock option plan disclosed in note 8, during the quarter 315,000 options were exercised (2010 – \$nil) using the cashless exercise option and as a result 180,000 shares were issued from treasury. Year-to-date the number of options exercised was 360,000 (2010 – \$nil); 345,000 using the cashless exercise option resulting in 186,000 shares being issued from treasury while 15,000 were exercised for cash proceeds of \$84,000 (2010 – \$nil). Due to the exercise of options, share capital was increased by \$795,000 in the quarter and by \$933,000 year-to-date (2010 – \$nil).

6. SHARE CAPITAL (continued)

Dividends

In December 2010, the Company declared a dividend of \$0.06 per share on each of its Class A shares and Class B shares. \$1,891,000 was paid to shareholders year-to-date (2010 – \$3,297,000). Subsequent to quarter end, on August 4, 2011 the Company declared dividends of \$0.06 per share payable September 15, 2011 to all shareholders of record as at August 31, 2011.

7. CONTRIBUTED SURPLUS

(thousands of Canadian dollars)

Balance, December 31, 2010	\$	2,176
Exercise of stock options		(849)
Executive stock option plan compensation expense		46
Balance, June 30, 2011	\$	1,373

8. SHARE-BASED COMPENSATION PLANS

The following is a summary of the Company's compensation expense related to share-based compensation plans:

Stock appreciation rights

A total of 1,745,000 stock appreciation rights ("SARS" or "rights") have been granted since 2006 at a weighted-average reference price of \$5.75. The SARS' expiry dates range from March 2011 to February 2015. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date.

During the second quarter 15,000 SARS were exercised (2010 – 350,750) for cash proceeds of \$21,000 (2010 – \$504,000). Year-to-date, 565,750 SARS (2010 – 380,350) were exercised for cash proceeds of \$707,000 (2010 – \$541,000). Compensation expense in the second quarter was \$476,000 (2010 – \$257,000) while year-to-date compensation expense was \$522,000 (2010 – \$174,000). As at June 30, 2011, 425,000 rights remained outstanding. The total obligation for SARS compensation was \$860,000 of which \$572,000 was current and classified as accounts payable and accrued liabilities (2010 – compensation payable was \$1,311,000, of which \$1,185,000 was current).

Executive stock options

A total of 2,350,000 stock options are outstanding pursuant to the Company's executive stock option plan. The expiry dates range from April 2011 to March 2016. The options generally vest as follows: twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates. Option holders may elect to exercise their options on a cashless basis in which case capital 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.

No options were granted during the second quarter (2010 – \$nil) and 315,000 were exercised (2010 – \$nil). Year-to-date, 60,000 options (2010 – 60,000) were granted at a weighted average exercise price of \$6.75 (2010 – \$6.77) and 360,000 options were exercised (2010 – \$nil). Compensation expense related to stock options for the quarter was \$21,000 (2010 – \$34,000) and for the six months ended June 30, 2011 was \$46,000 (2010 – \$74,000).

9. EMPLOYEE BENEFIT PLANS

(thousands of Canadian dollars)	Notes	Three months ended		Six months ended	
		June 30 2011	2010	June 30 2011	2010
Defined contribution plan expense		\$ 387	368	760	725
Defined benefit plan expense	14(g)	81	91	161	181

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments

Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the 3-month Canadian banker's acceptance rates. The fair values of Canadian Content Development commitments ("CCD") approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 8.0% to 14.3%. Accretion expense arising on CCD obligations was \$130,000 for the quarter (2010 - \$187,000) and \$259,000 year-to-date (2010 - \$374,000).

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

<i>(thousands of Canadian dollars)</i> Description	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Financial assets at fair value through profit or loss:				
Cash and bank indebtedness	\$ (2,285)	(2,285)	—	—
Marketable securities	6,556	6,556	—	—
Loans and receivables:				
Accounts receivable	28,906	—	28,906	—
Equity total return swap receivable	1,250	—	1,250	—
Items accounted for as hedges:				
Interest rate swap payable	(2,659)	—	(2,659)	—
Other liabilities at amortized cost				
Accounts payable and accrued liabilities, net of current portion of other liabilities	(14,277)	—	(14,277)	—
Long-term debt, classified as current	(60,271)	—	(60,271)	—
CCD commitments	(6,630)	—	(6,630)	—

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

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

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

Credit risk

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The maximum credit exposure approximated \$30,000,000 as at June 30, 2011, which included accounts receivable and the equity total return swap receivable. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled \$1,400,000 as at June 30, 2011. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. More than 88% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the second quarter was \$92,000 and year-to-date it was \$210,000 which represents a very small portion of accounts receivable and revenue. The Company believes its provision for potential credit losses is adequate.

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

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

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

The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at June 30, 2011, a 10% change in the share prices of each marketable security would result in a \$550,000 change in profit.

For the quarter ended June 30, 2011, the change in fair value of marketable securities, recorded in *other income*, was an unrealized loss of \$12,000 (2010 – unrealized gain of \$632,000) and year-to-date was an unrealized gain of \$1,270,000 (2010 – \$817,000).

b) Interest rate risk management

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

Interest rate fluctuations would have an impact on the Company's profit to the extent that long-term debt is not hedged. The hedged portion of long-term debt would be impacted as well; however, the impact on the hedged portion of debt would be recorded in OCI. A 0.5% change in the floating interest rates would have impacted OCI due to changes in fair value of the interest rate swaps by approximately \$350,000. The same change in floating interest rates would have had minimal impact on profit in the quarter.

At June 30, 2011, the aggregate fair value payable of the swap agreements was \$2,659,000 and is included in other liabilities on the statement of financial position (2010 – \$3,634,000). In the second quarter, the before-tax change in fair value of the swaps included in OCI was a loss of \$73,000 (2010 – \$568,000) and year-to-date the gain was \$371,000 (2010 – loss of \$113,000). The before-tax interest expense transferred from OCI to profit in the second quarter was \$16,000 (2010 – \$26,000). For the six months ended June 30, 2011, the before-tax interest recovery transferred from OCI to profit in the second quarter was \$20,000 (2010 – \$32,000).

c) Share price volatility risk management

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

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

In the second quarter, the Company wound-up a portion of its equity total return swap. 805,000 of the 1,275,000 notional Class A shares under the swap agreement were terminated. For the remaining notional Class A shares, the Company amended the terms of the swap agreement extending the expiry date to July 2013. This amended instrument, however, does not qualify for hedge accounting and as such gains and losses are recorded immediately through profit. The recognition of gains and losses through OCI no longer applies.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

c) Share price volatility risk management (continued)

Total realized before-tax income for the second quarter recorded in profit was \$1,219,000; \$604,000 related to the portion of the swap that was terminated. Year-to-date the income was \$1,601,000. During the second quarter of 2010, the before-tax change in fair value of the swap recorded in OCI was income of \$383,000 and the year-to-date fair value income was \$255,000. The realized portion of the income transferred from OCI to profit was \$492,000 in the quarter and \$474,000 for the six months ended June 30, 2010.

The estimated fair value of the equity total return swap receivable based on the Class A shares' market price at June 30, 2011 was \$1,250,000 (2010 – \$1,721,000).

Liquidity risk

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

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

Obligation (thousands of Canadian dollars)	12 months	2012 - 2015	Thereafter
Long-term debt, classified as current*	\$ —	60,271	—
Bank indebtedness	2,285	—	—
Accounts payable and accrued liabilities, net of current portion of CCD commitments	14,401	—	—
Income taxes payable	13,772	—	—
CCD commitments, undiscounted	2,009	5,090	138
	\$ 32,467	65,361	138

*In July 2011 the Company received approval from its lenders to extend its credit facility expiry date from June 30, 2012 to June 30, 2013. In addition the facility was increased from \$76.5 million to \$90.0 million. IAS 1 Presentation of Financial Statements requires that long-term debt having a maturity date within twelve months of the reporting date be presented as a current liability in the statement of financial position even if the facility was renewed prior to the date of issuance of the financial statements. As a result the Company has classified all of its long-term debt as a current liability in accordance with the requirements under IAS 1. Since repayment of the debt will not be required within the next twelve months, management deems its liquidity risk to continue to be low.

Capital risk

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

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

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Capital risk (continued)

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

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at June 30, 2011.

11. EARNINGS PER SHARE

<i>(thousands of Canadian dollars)</i>	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Weighted average common shares used in calculation of basic earnings per share	30,322	32,972	30,465	32,972
Incremental common shares calculated in accordance with the treasury stock method	1,177	1,152	1,165	1,147
Weighted average common shares used in calculation of diluted earnings per share	31,499	34,124	31,630	34,119

12. OPERATING SEGMENT INFORMATION

The Company has two reportable segments – Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Details of segment operations are set out below. Results from Winnipeg operations have been excluded from the Broadcasting segment figures as a result of accounting for discontinued operations as described in note 5 of the interim financial statements.

<i>(thousands of Canadian dollars)</i>	Corporate & Other			Corporate & Other		
	Broadcasting	Total	Broadcasting	Total	Broadcasting	Total
	Three months ended June 30			Six months ended June 30		
2011						
Revenue	\$ 32,415	33,448	58,155	60,001	1,846	236,545
Operating expenses	20,090	22,358	39,520	43,944	4,424	216,148
Depreciation and amortization	896	960	1,819	1,950	131	20,397
Operating profit (loss)	\$ 11,429	10,130	16,816	14,107	(2,709)	231,985
2010						
Revenue	\$ 29,496	30,406	54,104	55,824	1,720	231,985
Operating expenses	21,697	24,190	40,080	44,867	4,787	211,843
Depreciation and amortization	892	954	1,778	1,895	117	20,142
Operating profit (loss)	\$ 6,907	5,262	12,246	9,062	(3,184)	231,985
Total assets			\$ 211,843	231,985	20,142	231,985
Broadcast licences			149,752	149,752	—	149,752
Goodwill			6,109	6,109	—	6,109
Capital expenditures	413	482	854	986	132	986

13. SUBSEQUENT EVENTS

Subsequent to quarter end, the Company entered into agreements to acquire two FM stations in the Okanagan Valley region of British Columbia for \$7.0 million, subject to the approval of the CRTC.

14. TRANSITION TO IFRS

These interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company’s date of transition to IFRS was January 1, 2010. For periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP).

The Company’s IFRS accounting policies have been applied consistently in the preparation of the interim financial statements for the three and six month periods ended June 30, 2011 and June 30, 2010 and in the preparation of the IFRS statement of financial position as at June 30, 2010 and as at June 30, 2011.

The Company has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these IFRS interim financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows is set out in the following tables and the notes that accompany the tables. Specifics of IFRS 1 are also explained below:

IFRS 1 exemptions

IFRS 1 sets out specific guidelines that a first-time adopter must adhere to where certain circumstances apply. The following guidelines have been applied to the Company’s opening statement of financial position dated January 1, 2010:

i. **Hedge accounting**

Hedge accounting can only be applied prospectively from the date of transition to transactions that satisfy the hedge accounting criteria. Hedging relationships cannot be designated retrospectively and the documentation of the hedging relationship cannot be created retrospectively. Only hedging relationships that satisfied the hedge accounting criteria as of the Company’s transition date are reflected as hedges in the Company’s results under IFRS. Each of the Company’s hedging relationships were assessed to conclude that all hedges recorded under GAAP qualified for hedge accounting under IFRS at the date of transition.

ii. **Use of estimates**

Retrospective adjustments to accounting estimates or judgments are not allowed as part of the transition, unless there is objective evidence that the estimates applied were in error. With the exception of changing the method of calculating depreciation from declining-balance to straight-line, no estimates previously applied by the Company under GAAP were revised upon adoption of IFRS except where necessary to reflect any difference in accounting policies. (Additional details on the estimate change for determining depreciation expense are disclosed in note 14(a).)

IFRS 1 has certain exemptions from the general requirement to fully apply IFRS standards retrospectively as at the date of transition. The Company has opted to take the following IFRS 1 exemptions:

iii. **Business combinations**

IFRS 3 *Business Combinations* has not been applied to acquisitions that occurred before January 1, 2010. Use of this exemption means that the previous GAAP carrying amounts of assets and liabilities, which are required to be recognized under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Company did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements.

In accordance with IFRS 1, the Company tested goodwill, broadcast licences and other intangible assets for impairment at the date of transition to IFRS. As a result, goodwill, broadcast licences and one of the Company’s finite-life intangible assets were impaired by \$936,000, \$6,704,000 and \$256,000, respectively. This is further described below under “Explanatory notes to transitional IFRS adjustments” in notes 14(b), (c) and (d).

14. TRANSITION TO IFRS (continued)

iv. **Employee future benefits**

The Company has elected to recognize, as part of its transition adjustment to retained earnings, all of its unrecognized cumulative actuarial gains and losses and vested past service costs as calculated in conjunction with an IFRS compliant actuarial valuation. The Company has also elected to disclose the following amounts prospectively from the date of transition: (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan liabilities and the plan assets.

v. **Share-based payments**

The Company has elected to not retrospectively apply IFRS 2 *Share-based Payments* to its equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before January 1, 2010.

14. TRANSITION TO IFRS (continued)

Reconciliation of equity

Shareholders' equity as at June 30, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

<i>(thousands of Canadian dollars)</i>	Note 14	June 30, 2010		IFRS
		Previous GAAP	Effect of transition to IFRS	
ASSETS				
Current assets				
Marketable securities		\$ 5,019	—	5,019
Receivables		24,200	—	24,200
Prepaid expenses		1,164	—	1,164
Other assets		1,721	—	1,721
Deferred income tax assets	h	1,074	(1,074)	—
<i>Total current assets</i>		33,178	(1,074)	32,104
Non-current assets				
Property and equipment	a	36,464	(1,587)	34,877
Other assets	d,g	4,423	(653)	3,770
Broadcast licences	b	148,032	1,720	149,752
Goodwill	c	7,045	(936)	6,109
Deferred income tax assets	g,h	2,291	3,082	5,373
Total assets		\$ 231,433	552	231,985
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		\$ 1,912	—	1,912
Accounts payable and accrued liabilities	f	19,828	84	19,912
Income taxes payable		8,280	—	8,280
<i>Total current liabilities</i>		30,020	84	30,104
Non-current liabilities				
Long-term debt		51,044	—	51,044
Other liabilities	f,g	17,571	1,612	19,183
Deferred income tax liabilities	a,b,c,d,h	25,713	(7,481)	18,232
Total liabilities		\$ 124,348	(5,785)	118,563
Shareholders' equity				
Share capital		\$ 42,913	—	42,913
Contributed surplus	f	2,342	(231)	2,111
Accumulated other comprehensive loss		(2,150)	—	(2,150)
Retained earnings	j	63,980	6,568	70,548
Total equity		\$ 107,085	6,337	113,422
Total liabilities and shareholders' equity		\$ 231,433	552	231,985

14. TRANSITION TO IFRS (continued)

Reconciliation of the income statement

The income statement for the three and six month periods ended June 30, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

(thousands of Canadian dollars)	Note	Three months ended June 30, 2010			Six months ended June 30, 2010		
		Previous GAAP*	Effect of transition to IFRS	IFRS	Previous GAAP*	Effect of transition to IFRS	IFRS
Revenue		\$ 30,406	—	30,406	55,824	—	55,824
Operating expenses	f,g	24,216	(26)	24,190	45,079	(212)	44,867
Depreciation and amortization	a,d	856	98	954	1,701	194	1,895
Operating profit		5,334	(72)	5,262	9,044	18	9,062
Interest expense		786	—	786	1,550	—	1,550
Accretion of other liabilities		187	—	187	374	—	374
Other expense (income)		(585)	—	(585)	(34)	—	(34)
Broadcast licence impairment loss	b	1,609	(1,609)	—	1,609	(1,609)	—
Profit from continuing operations before income taxes		3,337	1,537	4,874	5,545	1,627	7,172
Provision for income taxes							
Current		1,103	—	1,103	1,854	—	1,854
Deferred		57	311	368	147	206	353
	i	1,160	311	1,471	2,001	206	2,207
Profit from continuing operations		2,177	1,226	3,403	3,544	1,421	4,965
Loss from discontinued operations		(50)	—	(50)	(180)	—	(180)
Profit for the period		\$ 2,127	1,226	3,353	3,364	1,421	4,785
Earnings per share from continuing operations							
Basic		\$ 0.06	0.04	0.10	0.10	0.05	0.15
Diluted		0.06	0.04	0.10	0.10	0.04	0.14
Earnings per share							
Basic		\$ 0.06	0.04	0.10	0.10	0.05	0.15
Diluted		0.06	0.04	0.10	0.10	0.04	0.14

*Previous GAAP has been restated to reflect discontinued operations as disclosed in note 5.

14. TRANSITION TO IFRS (continued)

Reconciliation of comprehensive income

The statement of comprehensive income for the three and six month periods ended June 30, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

(thousands of Canadian dollars)	Note	Three months ended June 30, 2010			Six months ended June 30, 2010		
		Previous GAAP*	Effect of transition to IFRS	IFRS	Previous GAAP*	Effect of transition to IFRS	IFRS
Profit for the period	14	\$ 2,127	1,226	3,353	3,364	1,421	4,785
Other comprehensive income							
Cash flow hedges:							
Net movement on interest rate swaps		(542)	—	(542)	(145)	—	(145)
Income tax recovery (expense)		145	—	145	39	—	39
		(397)	—	(397)	(106)	—	(106)
Net movement on total equity return swap		(109)	—	(109)	(219)	—	(219)
Income tax recovery		35	—	35	72	—	72
		(74)	—	(74)	(147)	—	(147)
Other comprehensive income		(471)	—	(471)	(253)	—	(253)
Comprehensive income		\$ 1,656	1,226	2,882	3,111	1,421	4,532

* There was no effect on other comprehensive income as a result of transitioning to IFRS for the three month period and six month period ended June 30, 2010.

14. TRANSITION TO IFRS (continued)

Reconciliation of the statement of cash flows

The statement of cash flows for the six month period ended June 30, 2010 can be reconciled to the amounts reported under previous GAAP as follows:

(thousands of Canadian dollars)	Six months ended June 30, 2010		
	Previous GAAP*	Effect of transition to IFRS	IFRS
Operating Activities			
Profit from continuing operations before			
provision for income taxes	\$ 5,544	1,628	7,172
Provision for income taxes from continuing operations	(2,000)	2,000	—
Profit from continuing operations for the period	3,544	—	—
Items not involving cash from continuing operations			
Depreciation and amortization	1,701	194	1,895
Deferred income taxes	152	(152)	—
Broadcast licence impairment loss	1,609	(1,609)	—
Share-based compensation plans	403	(155)	248
Accretion of other liabilities	374	—	374
Unrealized gains on marketable securities	(817)	—	(817)
Other	(536)	(58)	(594)
	6,430	1,848	8,278
Net change in non-cash working capital from continuing operations	2,696	226	2,922
	9,126	2,074	11,200
Interest paid	—	(1,751)	(1,751)
Income taxes paid	—	(323)	(323)
	9,126	—	9,126
Discontinued operations	(433)	—	(433)
Net cash flows from operating activities	8,693	—	8,693
Financing Activities			
Change in bank indebtedness	1,813	—	1,813
Long-term debt borrowings	—	—	—
Long-term debt repayments	(5,600)	—	(5,600)
Repurchase of capital stock	—	—	—
Dividends paid	(3,297)	—	(3,297)
Other	—	—	—
	(7,084)	—	(7,084)
Investing Activities			
Property and equipment additions	(986)	—	(986)
Canadian Content Development commitment payments	(805)	—	(805)
Other	182	—	182
	(1,609)	—	(1,609)
Cash, beginning and end of period	\$ —	—	—

Under IFRS, it is common to begin with “profit before provision for income taxes” and under IFRS interest paid and income taxes paid are incorporated into the cash flow statement. Other than these format changes, all adjustments due to the IFRS transition result from the changes described for the statement of financial position and income statement.

*Previous GAAP has been restated to reflect discontinued operations as disclosed in note 5.

14. TRANSITION TO IFRS (continued)

Explanatory notes to transitional IFRS adjustments

IFRS employs a conceptual framework that is similar to GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's GAAP statement of financial position as at June 30, 2010, and its income statement, statement of comprehensive income and statement of cash flows for the three months and six months ended June 30, 2010 have been reconciled to IFRS. The following explanatory notes provide further details of the transitional adjustments and a summary of accounting policies adopted under IFRS:

a. Property and equipment

IAS 16 *Property, Plant and Equipment* requires significant component parts of property and equipment to be depreciated separately. This gives rise to more accurate depreciation expense. Management updated all useful lives to ensure depreciation is measured appropriately. The Company also changed how it depreciates property and equipment from the declining-balance method to the straight-line method. Management believes this change in estimate provides more accurate depreciation expense. This change in estimate resulted in an increase in accumulated depreciation of \$970,000 on transition. The Company applied IAS 16 retrospectively which resulted in a restatement of accumulated depreciation. The impact is as follows:

- June 30, 2010 financial position - accumulated depreciation was increased and the net book value of property and equipment was reduced by \$1,587,000, deferred tax liability decreased by \$424,000 and retained earnings reduced by \$1,163,000.
- June 30, 2010 income statement – second quarter depreciation expense was increased by \$102,000 and provision for income taxes reduced by \$27,000. Year-to-date depreciation expense was increased by \$202,000 and provision for income taxes reduced by \$54,000.

b. Broadcast licences

Application of IAS 38 Intangible Assets

Under GAAP, the Company stopped amortizing its broadcast licences on January 1, 2002 pursuant to revised GAAP accounting standards which were applied prospectively. Under IFRS indefinite life intangible assets are not amortized. Because the Company must adopt IFRS retrospectively, the amount of accumulated amortization of broadcast licences had to be eliminated on the transition date.

- June 30, 2010 financial position – the Company increased broadcast licences by \$6,815,000, increased deferred tax liability by \$1,819,000 and increased retained earnings by \$4,996,000.

Application of IAS 36 Impairment of Assets

Upon transition, the Company was required to conduct an impairment analysis of its broadcast licences as prescribed by the standards in IAS 36 *Impairment of Assets*. Testing for impairment under IAS 36 differs from GAAP; the significant differences are described in note 14(e). The Company performed its impairment assessment and determined impairments existed on transition. As of the Company's annual impairment assessment date of October 31, 2010, the Company concluded that broadcast licences were impaired by \$2,435,000. Impairment charges arose because the recoverable amounts for two CGU's located in Alberta were less than the carrying amount. These two CGU's have experienced declines in earnings which were projected to continue thereby decreasing the CGU's recoverable amounts (which is value-in-use). As of October 31, 2010, the Company reversed \$1,274,000 of previously recognized impairment charges. The reversal was a result of financial performance improvements experienced in 2010, particularly in one CGU also located in Alberta.

14. TRANSITION TO IFRS (continued)

b. **Broadcast licences** (continued)

The following describes the impact on financial results by applying IAS 36 and IAS 38:

- June 30, 2010 financial position – in addition to the above-noted reversal of accumulated amortization, the Company reduced the carrying value of broadcast licences by \$6,704,000 due to impairment losses as at January 1, 2010. The Company eliminated the \$1,609,000 GAAP broadcast licence impairment charge from the comparative income statement because under IFRS, this impairment was factored into the January 1, 2010 impairment losses. The net decrease to the carrying value of broadcast licences was \$5,095,000, the net decrease in deferred tax liabilities was \$1,290,000 and retained earnings decreased by \$3,805,000.
- June 30, 2010 income statement – for the quarter and year-to-date, the broadcast licence impairment charge of \$1,609,000 recorded in the comparative figures under GAAP was eliminated which also increased provision for income taxes by \$434,000.

c. **Goodwill**

Upon transition, the Company was required to conduct an impairment analysis of goodwill as prescribed by the standards in IAS 36 *Impairment of Assets*. Testing for impairment under IAS 36 differs from GAAP; the significant difference being that future plans cannot be included in the cash flow projections used to determine the fair value of an asset or a CGU. The Company conducted its impairment assessment and concluded that impairment existed on the transition date. The impact was as follows:

- June 30, 2010 financial position – the Company recorded a goodwill impairment loss of \$936,000 which also reduced deferred tax liabilities by \$250,000 and retained earnings by \$686,000.

The Company, having chosen October 31 as its annual impairment assessment date, concluded there was no further goodwill impairment.

IAS 36 allows the reversal of impairment losses when certain criteria are met; however, goodwill impairment losses cannot be reversed.

d. **Other intangible assets**

Upon transition, the Company was required to conduct an impairment analysis of its other intangible assets as prescribed by standards in IAS 36 *Impairment of Assets*. Other assets included a customer list which was deemed to be impaired on January 1, 2010. The results are as follows:

- June 30, 2010 financial position - other assets were reduced by \$248,000 because of the January 1, 2010 write off of the customer list which also reduced deferred tax liabilities by \$66,000 and retained earnings by \$182,000.
- June 30, 2010 income statement – second quarter amortization of intangible assets expense was reduced by \$4,000 and provision for income taxes increased by \$1,000. Year-to-date amortization of intangible assets expense was reduced by \$8,000 and provision for income taxes increased by \$2,000.

e. **Impairment of non-financial assets**

In order to assess impairment of non-financial assets, the Company compares an asset's, or a CGU's, recoverable amount to its carrying amount. As disclosed in notes 14(b), (c) and (d) and in note 4, the Company concluded that impairment existed on certain of its intangible assets and goodwill. The following is a summary of the significant differences between GAAP and IFRS impairment testing requirements that impacted the results of the Company's impairment conclusions:

Cash-Generating Units ("CGU")

Under GAAP, impairment testing was conducted at the reporting unit level. In reporting units, assets having interdependent net cash flows were aggregated together. IFRS aggregates assets together in a CGU for those having interdependent cash inflows. This posed a difference in how the Company grouped its assets together and has resulted in differences in impairment conclusions.

14. TRANSITION TO IFRS (continued)

e. Impairment of non-financial assets (continued)

Determination of the recoverable amount

Under GAAP, the Company performed its recoverability test on broadcast licences by first comparing the fair value (based on projected cash flows) of the asset to its carrying amount. If the fair value was less than the carrying value, an impairment charge equal to the difference was recognized. For all other long-lived assets, the undiscounted cash flows would have been compared to the assets' carrying amounts. Under IFRS, the impairment charge is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. The Company's method of determining recoverable amount under GAAP and under IFRS is similar in many ways; however, under IFRS the impact of future plans, like expansions or improvements (such as AM to FM conversions), cannot be included in the projected cash flows to determine the recoverable amount. Under GAAP, the Company could include estimates in its cash flows for future plans.

Reversal of impairment

Under GAAP, an impairment charge may not be reversed. Under IFRS, impairment charge on assets other than goodwill can be reversed if certain criteria are met. The Company's annual impairment test performed as at October 31, 2010 revealed that impairment charges that arose from the January 1, 2010 impairment test aggregating \$1,274,000 could be reversed.

f. Share-based payments

The significant differences between GAAP and IFRS as it relates to share-based payments are as follows:

Recognition of expense

Under GAAP, for share-based awards with graded vesting, the fair value of the award is recognized on a straight-line basis over the time period necessary for the award to vest. Under IFRS, each tranche within an award having graded vesting features is considered a separate grant with a different vesting date and a different fair value.

Cash-settled share-based payments

IFRS requires the measurement of fair value of cash-settled share-based payments to be based on an appropriate option pricing model whereas under GAAP it was measured at intrinsic value. In addition, until SARS are settled the Company must re-measure its SARS obligation at each reporting date with changes in fair value being recorded in net income as SARS vest.

Forfeiture

Under GAAP, forfeiture of awards is recognized as it occurs. Under IFRS, an estimate of the number of awards expected to vest is made on the measurement date. If subsequent information indicates that actual forfeiture is likely to differ from that estimate, an adjustment is made at that time. There was no impact on the Company's figures as a result of this change.

Stock appreciation rights (SARS)

IFRS 2 *Share-based Payments* requires that cash-settled share-based payments be measured using an appropriate pricing model and that each tranche within an award be treated as a separate award. Under GAAP, the Company previously measured its obligations for stock appreciation rights using the intrinsic value and treated each tranche within an award as one pooled award. As a result of retrospectively applying IFRS 2, the impact is as follows:

- June 30, 2010 financial position – the Company increased its current and non-current SARS liability by \$84,000 and \$7,000, respectively. Deferred tax assets were increased by \$29,000 and retained earnings were decreased by \$62,000.
- June 30, 2010 income statement – second quarter SARS compensation expense, included in operating expenses, was increased by \$48,000 and provision for income taxes decreased by \$13,000. Year-to-date SARS compensation expense was decreased by \$44,000 and provision for income taxes increased by \$17,000.

Executive stock options

As described above, IFRS 2 requires that each tranche within an award of options be treated separately. Under GAAP, the Company pooled the options and determined the fair value using the average life of the options and recognized the expense on a straight-line basis over the average life. As a result of the retrospective application of IFRS 2 on the Company's options not vested as at January 1, 2010, the following was impacted:

- June 30, 2010 financial position – the Company decreased contributed surplus by \$231,000 which increased retained earnings by an equal amount.
- June 30, 2010 income statement – second quarter and year-to-date operating expenses were decreased respectively by \$46,000 and \$111,000 related to stock option compensation.

14. TRANSITION TO IFRS (continued)

g. Employee future benefits

The Company elected to apply the IFRS 1 exemption as it relates to its defined benefit pension plan, as described earlier in point (iv) under the heading “IFRS 1 exemptions”. The following summarizes the financial impact:

- June 30, 2010 financial position – the Company’s accrued pension benefit asset was reduced by \$405,000, its accrued pension benefit liability was increased by \$1,605,000 and the related deferred tax assets were increased by \$623,000 and retained earnings decreased by \$1,387,000.
- June 30, 2010 income statement – second quarter pension expense was reduced by \$28,000 and provision for income tax increased by \$8,000. Year-to-date pension expense was reduced by \$57,000 and provision for income tax increased by \$16,000.

The significant differences between GAAP and IFRS as it relates to employee future benefits are as follows:

IFRS 1 exemption applied

As a result of opting to use the IFRS 1 exemption relating to employee future benefits, all of the Company’s unrecognized cumulative actuarial gains and losses under GAAP were charged to retained earnings on transition date.

Past service costs

Under IAS 19 *Employee Benefits*, all vested past service costs are required to be immediately expensed. Under GAAP, past service costs were expensed over the average remaining service period of the employees. The opening retained earnings adjustment includes the impact of recognizing unrecognized cumulative vested past service costs.

Recognition of actuarial gains and losses

Under GAAP, the Company utilized the corridor method to account for actuarial gains and losses. This method allowed the gains and losses not to be recognized as long as they were less than 10% of the plan assets or of the defined benefit obligation, whichever was higher. While there is a similar deferral method available under IFRS, on transition, the Company elected to adopt the immediate recognition method, an option available in IAS 19, where the Company is able to write off actuarial gains and losses directly to comprehensive income each year.

Defined Benefit Pension Plan restated figures

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

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

h. Deferred tax assets and liabilities

Future income taxes as known under GAAP are entitled deferred taxes under IFRS. Under IFRS, there is no current classification of deferred taxes and therefore \$1,074,000 previously recorded as current deferred tax assets as at June 30, 2010, has been reclassified to non-current deferred tax assets.

A significant difference between GAAP and IFRS is that under IFRS, deferred tax assets and liabilities are not recognized on internally-developed intangible assets. Deferred tax assets and liabilities are not recognized for taxable temporary differences where the deferred tax asset or liability 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. This affects the company’s internally-developed broadcasting licences which arise due to the obligation to fund Canadian Content Development. This represented \$22,584,000 of broadcast licence value and \$7,690,000 of remaining CCD obligations as at January 1, 2010.

14. TRANSITION TO IFRS (continued)

h. Deferred tax assets and liabilities (continued)

The company is not restating any prior business combinations on transition. The interpretation of the tax basis will however change and give rise to a change in deferred tax. Under GAAP the tax base for certain intangible asset acquisitions can be increased beyond the related cumulative eligible capital balance. The effect is that there is no future income tax created on intangibles acquired in an asset deal business combination under GAAP. Under IFRS there is no equivalent provision. The Company considered that a sale is the most likely method of reversal for the broadcast license timing difference. In order to determine the deferred tax under the “on sale” basis it was necessary to determine the amount of cumulative eligible capital deductions that have been taken in the past to determine the amount of deferred tax liability that will reverse at the “recapture” rate. This effectively reduced the timing difference on which the deferred tax liability is calculated upon, by \$17,746,000 as at January 1, 2010.

And finally, under IFRS there will be a deferred tax asset related to the accretion interest portion of the Canadian Content Development obligation.

The changes to deferred tax assets and deferred tax liabilities are summarized as follows:

<i>(thousands of Canadian dollars)</i> Description	Note 14	June 30 2010
Property and equipment	a	\$ (424)
Reversal of broadcast licence accumulated amortization	b	1,819
Impairment of broadcast licences	b	(1,290)
Impairment of goodwill	c	(250)
Impairment of other intangible assets	d	(66)
Share-based payments	f	(29)
Employee future benefits	g	(623)
De-recognition of deferred tax liability on internally-developed intangible assets	h	(6,029)
De-recognition of deferred tax asset arising from CCD obligations		2,162
Tax basis and reversal assumptions	h	(4,759)
Net deferred tax impact on retained earnings	j	\$ (9,489)

i. Provision for income taxes

The following table summarizes the impact of the transition on the provision for income taxes:

<i>(thousands of Canadian dollars)</i> Description	Note 14	Three months ended June 30 2010	Six months ended June 30 2010
Depreciation expense	a	\$ (27)	(54)
Broadcast licences – reversal of comparative figure impairment charge	b	434	434
Amortization	d	1	2
Share-based payments	f	(13)	17
Employee future benefits	g	8	16
De-recognition of deferred tax expense on internally-developed intangibles	h	(92)	(209)
		\$ 311	206

14. TRANSITION TO IFRS (continued)

j. Adjustments to retained earnings

The following table summarizes the increases (decreases) to retained earnings:

<i>(thousands of Canadian dollars)</i>	Note	June 30
Description	14	2010
Retained earnings, as stated under GAAP		\$ 63,980
Property and equipment	a	(1,587)
Broadcast licences - reversal of accumulated amortization	b	6,815
Broadcast licences - impairment	b	(5,095)
Goodwill	c	(936)
Other intangible asset	d	(248)
Share-based payments	f	140
Defined benefit plans	g	(2,010)
Net deferred tax liabilities	h	<u>9,489</u>
Total adjustment to retained earnings on transition to IFRS		<u>6,568</u>
Retained earnings, as restated under IFRS		<u>\$ 70,548</u>

Transfer agent and registrar

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

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Stock exchange listing and symbols

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



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