ZOOMERMEDIA LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the Three Months Ended September 30, 2013 and 2012

(These financial statements have not been reviewed nor audited by an independent audit firm)

ZOOMERMEDIA LIMITED
Consolidated Statements of Financial Position

(expressed in Canadian dollars)

ASSETS	September 30, 2013	June 30, 2013 (revised - Note 3 (a))
Current assets		
Cash	$ 3,064,300	$ 2,829,733
Restricted cash and investments	5,795,997	5,921,642
Trade and other receivables	11,082,327	13,074,136
Prepaid expenses	769,512	538,751
	20,712,136	22,364,262
Non-current assets		
Property and equipment (Note 4)	22,817,072	22,851,545
Deferred tax assets	6,605,792	6,817,751
Intangible assets (Note 5)	38,251,790	31,454,534
Goodwill (Note 5)	2,574,758	2,574,758
TOTAL ASSETS	$ 90,961,548	$ 86,062,850
LIABILITIES		
Current liabilities		
Trade and other payables	$ 6,103,862	$ 7,071,876
Deferred revenue (Note 6)	2,285,262	2,171,731
Income tax liabilities	769,019	802,387
Current portion of debt (Note 7)	10,882,813	10,921,518
Current portion of other liabilities (Note 8)	5,924,282	2,472,870
Current portion of provisions (Note 9)	353,045	567,940
	26,318,283	24,008,322
Non-current liabilities		
Deferred revenue (Note 6)	1,081,799	1,064,453
Deferred tax liabilities	238,500	238,500
Debt (Note 7)	22,102,965	22,538,372
Other liabilities (Note 8)	2,954,532	332,762
Provisions (Note 9)	72,458	146,749
	52,768,537	48,329,158
EQUITY		
Equity attributable to owners of the parent		
Share capital	63,486,983	63,491,613
Contributed surplus	2,301,029	2,205,372
Deficit	(27,595,001)	(27,963,293)
Total equity	38,193,011	37,733,692
TOTAL LIABILITIES AND EQUITY	$ 90,961,548	$ 86,062,850

Commitments and contingent liabilities (Note 17)

APPROVED ON BEHALF OF THE BOARD:

signed Director — Moses Znaimer

signed Director — Peter Palframan

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Income and Comprehensive Income
For the three months ended September 30, 2013 and 2012

	Three months ended September 30	
	2013	**2012**
Revenue	$ 12,773,498	$ 13,358,017
Operating expenses (Note 11)	10,881,430	10,767,075
Depreciation	478,756	457,856
Amortization of other intangible assets	260,335	264,737
Operating income	1,152,977	1,868,349
Interest income	(14,637)	(47,073)
Interest expense	591,993	723,324
Net interest expense	577,356	676,251
Net income before income taxes	575,621	1,192,098
Income tax expense	207,329	257,660
Net income and comprehensive income for the period	368,292	934,438
Net income per share (basic and diluted) (Note 13)	$ 0.00	$ 0.00
Weighted average number of shares outstanding	655,497,426	655,164,092

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Cash Flows
For the three months ended September 30, 2013 and 2012

	Three months ended September 30	
	2013	**2012**
Operating activities		
Net income for the period	$ 368,292	$ 934,438
Add (deduct) non-cash items:		
Depreciation	478,756	457,856
Amortization of program rights	2,198,148	2,036,098
Amortization of other intangibles	260,335	264,737
Amortization of deferred financing costs	17,689	47,427
Stock-based compensation	95,657	58,041
Non-cash interest expense	83,946	133,320
Deferred tax expense	207,329	-
Change in deferred revenue	130,877	98,956
Net change in non-cash working capital balances (Note 12)	133,587	(1,175,250)
	3,974,616	2,855,623
Purchase of program rights	(9,249,513)	(3,893,313)
Change in other liabilities related to program rights	6,405,944	(157,014)
	(2,843,569)	(4,050,327)
	1,131,047	(1,194,704)
Investing activities		
Decrease in restricted cash and investments	99,028	125,129
Additions to property and equipment	(444,283)	(154,430)
Purchase of other intangible assets	(6,226)	-
	(351,481)	(29,301)
Financing activities		
Repayment of finance lease obligation	(12,013)	(17,210)
Repayment of debt	(532,986)	(489,167)
	(544,999)	(506,377)
Change in cash	234,567	(1,730,382)
Cash, beginning of period	2,829,733	5,069,754
Cash, end of period	$ 3,064,300	$ 3,339,372
Supplementary cash flow information:		
Interest paid	$ 518,627	$ 533,835
Income taxes paid	33,368	314,829

See accompanying notes to consolidated financial statements

ZOOMERMEDIA LIMITED
Consolidated Statements of Changes in Equity
For the three months ended September 30, 2013 and 2012

	Common shares (Note 10)		Preference Shares		Contributed Surplus (Note 10)	Deficit (revised - Note 3 (a))	Total Shareholders' Equity
	#	$	#	$	$	$	$
Balance - July 1, 2012	267,284,963	24,623,431	387,879,129	38,787,913	2,036,255	(33,240,795)	32,206,804
Stock-based compensation					58,041		58,041
Net loss and comprehensive loss						934,438	934,438
Balance - September 30, 2012	267,284,963	24,623,431	387,879,129	38,787,913	2,094,296	(32,306,357)	33,199,283
Balance - July 1, 2013	267,618,297	24,703,700	387,879,129	38,787,913	2,205,372	(27,963,293)	37,733,692
Stock-based compensation					95,657		95,657
Deferred income taxes		(4,630)					(4,630)
Net income and comprehensive income						368,292	368,292
							-
Balance - September 30, 2013	267,618,297	24,699,070	387,879,129	38,787,913	2,301,029	(27,595,001)	38,193,011

See accompanying notes to consolidated financial statements

1. NATURE OF OPERATIONS

ZoomerMedia Limited (the "**Company**" or "**ZoomerMedia**") is a multimedia company that serves the 45plus "Zoomer" demographic through television, radio, magazine, internet, conferences and trade shows. ZoomerMedia's television properties include; Vision TV, Canada's only multi-faith specialty television service; ONE: Body Mind Spirit Love, offering programs on exercise, meditation, yoga, natural health and living a planet-friendly lifestyle; JoyTV in Vancouver, Victoria, Surrey and the Fraser Valley, and HOPETV (formerly JoyTV11), a lifestyle television service out of Winnipeg devoted to broadcasting Christian and local programming. ZoomerMedia's radio properties include CFMZ-FM Toronto – The New Classical 96.3FM, CFMX-FM Cobourg – The New Classical 103.1FM, and CFZM-AM 740 Toronto – The New AM740 Zoomer Radio. ZoomerMedia also publishes Zoomer Magazine. ZoomerMedia is Canada's provider of online content targeting the 45plus age group through many properties, the key one being www.EverythingZoomer.com. ZoomerMedia also has a trade show and conference division that produces the ZoomerShows, annual consumer shows directed to the Zoomer demographic and ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'.

The Company is incorporated and domiciled in Canada and its registered office is located at 70 Jefferson Avenue, Toronto, Ontario, M6K 1Y4. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol "ZUM".

2. BASIS OF PREPARATION

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles **("GAAP")**, defined as International Financial Reporting Standards (**"IFRS"**) as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (**"CICA Handbook"**).

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard (**"IAS"**) 34, *Interim Financial Reporting*. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2013.

These interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended June 30, 2013 except as described in Note 3 for standards adopted in the current fiscal year. The Board of Directors approved these interim condensed consolidated financial statements on November 27, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with any consequential amendments, effective July 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(a) Accounting Standards Adopted In The Current Year

IFRS 10, *Consolidated Financial Statements* (**"IFRS 10"**), requires an entity to consolidate an investee when it has power over the investee, 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. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces *SIC-12, Consolidation—Special Purpose Entities* and parts of *IAS 27, Consolidated and Separate Financial Statements*. The Company assessed its consolidation conclusions on July 1, 2013 and determined that it is required to consolidate JTM Classical Inc. (**"JTM Classical"**) as a structured entity effective November 6, 2012, the entity's date of incorporation. As the application of IFRS 10 is retrospective, the consolidation of JTM Classical had the impact of reducing revenue recognized for services provided to the structured entity by the Company in the fourth quarter of fiscal 2013 in the amount of $152,909, and capitalizing the associated costs as intangible assets in the amount of $122,327. The impact of the revision as at June 30, 2013 is to decrease accounts receivable in the amount of $152,909, to increase intangible assets relating to program rights in the amount of $122,327 and to increase the deficit by the net amount of $30,582.

IFRS 11, *Joint Arrangements* (**"IFRS 11"**), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.* The adoption of IFRS 11 had no impact the unaudited interim consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* (**"IFRS 12"**), establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of IFRS 10 requires the Company to consolidate JTM Classical as a structured entity and IFRS 12 requires disclosure surrounding the significant judgment involved in arriving at the conclusion of the requirement to consolidate. IFRS 12 also requires disclosure of the nature of, and changes in, the risks associated with consolidated structured entities. Refer to Note 3 (d).

IFRS 13, *Fair Value Measurement* (**"IFRS 13"**), provides a single framework for measuring fair value. The measurement of fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on July 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used to measure fair value and did not result in any measurement adjustments as at July 1, 2013, but requires additional disclosures to be made with respect to the input levels of the Company's financial instruments.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical financial assets or financial liabilities that the Company has the ability to access. The Company uses Level 1 inputs in the determination of the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and other liabilities.

Fair values determined by Level 2 inputs use inputs other than the quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets or financial liabilities. The Company uses market interest rates in the valuation of its long-term debt and restricted cash and investments.

Level 3 inputs are unobservable inputs for the financial asset or financial liability, and include situations where there is little, if any, market activity for the financial asset or financial liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the financial asset or financial liability. The Company had no financial instruments valued under Level 3 inputs on the consolidated balance sheets.

(b) Accounting Standards Issued but not Yet Applied

The IASB has issued the following standards, which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact these new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 9, *Financial Instruments* (**"IFRS 9"**), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in *IAS 39, Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

Amendments to standards

IFRS 7, *Financial Instruments: Disclosures,* has been amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities. The amendment is effective on adoption of IFRS 9 which is effective for annual periods beginning on or after January 1, 2015.

IAS 32, *Financial Instruments: Presentation,* has been amended to clarify requirements for offsetting of financial assets and financial liabilities. The amendment is effective for annual periods beginning on or after January 1, 2014

(c) Significant Accounting Judgements and Estimation Uncertainties

Critical accounting judgements and estimates

The preparation of financial statements under IFRS requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates.

The key judgements, estimates and assumptions made in applying accounting policies which have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities are: the determination of Cash Generating Units (**"CGUs"**); the values associated with indefinite life intangible assets and goodwill; the estimated period of use of program rights; the estimated useful lives of non-financial assets with definite useful lives; and income tax liabilities including the assessment of temporary differences.

(d) Interest in structured entity

JTM Classical is a structured entity where the Company holds no equity interest or voting rights. The Company concluded that it controls JTM Classical as the sole activity of JTM Classical is the creation of television programming content for which the Company will have exclusive Canadian rights. Additionally, JTM Classical is dependent on the Company for financial support, both in the form of program license fee payments as well as through the provision of production services, including equipment and personnel. JTM Classical also expects to receive funding from Canada Media Fund and through Federal and Provincial tax credits. To the extent such amounts are not received, JTM Classical may not have the ability to pay the Company for the provision of production services. As at September 30, 2013 and June 30, 2013, except for deferred programming costs of $244,654 and $122,327, respectively, all balances of JTM Classical have been eliminated on consolidation.

4. PROPERTY AND EQUIPMENT

	Land & building	Broadcast equipment	Equipment and vehicles	Computer hardware	Leasehold improvements	Total
At June 30, 2013						
Cost	$ 21,090,229	$ 5,533,757	$ 968,409	$ 1,170,322	$ -	$ 28,762,717
Accumulated depreciation	(1,100,568)	(3,419,257)	(494,335)	(897,012)	-	(5,911,172)
Net book value	$ 19,989,661	$ 2,114,500	$ 474,074	$ 273,310	$ -	$ 22,851,545
Three months ended September 30, 2013						
Opening net book value	$ 19,989,661	$ 2,114,500	$ 474,074	$ 273,310	$ -	$ 22,851,545
Additions	77,241	54,497	288,449	24,096	-	444,283
Depreciation for the period	(129,989)	(130,240)	(53,892)	(164,635)	-	(478,756)
Closing net book value	$ 19,936,913	$ 2,038,757	$ 708,631	$ 132,771	$ -	$ 22,817,072
At September 30, 2013						
Cost	$ 21,167,470	$ 5,588,254	$ 1,256,858	$ 1,194,418	$ -	$ 29,207,000
Accumulated depreciation	(1,230,557)	(3,549,497)	(548,227)	(1,061,647)	-	(6,389,928)
Net book value	$ 19,936,913	$ 2,038,757	$ 708,631	$ 132,771	$ -	$ 22,817,072

5. INTANGIBLE ASSETS AND GOODWILL

Details of intangible assets and goodwill are as follows:

	Broadcast licenses	Program rights	Royalty stream rights	Brand names	Computer software	Domain names	Total intangible assets	Goodwill
At June 30, 2013								
Cost - as revised (Note 3 (a))	22,620,517	26,871,435	12,650,072	790,000	742,262	141,235	63,815,521	8,537,899
Accumulated amortization	-	(17,133,605)	(4,638,353)	(250,500)	(385,647)	(27,318)	(22,435,423)	-
Accumulated impairment	(9,595,738)	-	-	-	(226,633)	(103,193)	(9,925,564)	(5,963,141)
Net book value - as revised (Note 3 (a))	$ 13,024,779	$ 9,737,830	$ 8,011,719	$ 539,500	$ 129,982	$ 10,724	$ 31,454,534	$ 2,574,758
Three months ended September 30, 2013								
Opening net book value	$ 13,024,779	$ 9,737,830	$ 8,011,719	$ 539,500	$ 129,982	$ 10,724	$ 31,454,534	$ 2,574,758
Additions	-	9,249,513	-	-	6,226	-	9,255,739	-
Amortization for the period	-	(2,198,148)	(210,834)	(19,750)	(28,236)	(1,515)	(2,458,483)	-
Closing net book value	$ 13,024,779	$ 16,789,195	$ 7,800,885	$ 519,750	$ 107,972	$ 9,209	$ 38,251,790	$ 2,574,758
At September 30, 2013								
Cost	$ 22,620,517	$ 36,120,948	$ 12,650,072	$ 790,000	$ 748,488	$ 141,235	$ 73,071,260	$ 8,537,899
Accumulated amortization	-	(19,331,753)	(4,849,187)	(270,250)	(413,883)	(28,833)	(24,893,906)	-
Accumulated impairment	(9,595,738)	-	-	-	(226,633)	(103,193)	(9,925,564)	(5,963,141)
Net book value	$ 13,024,779	$ 16,789,195	$ 7,800,885	$ 519,750	$ 107,972	$ 9,209	$ 38,251,790	$ 2,574,758

The net carrying amount of indefinite life intangibles and goodwill has been allocated to the following CGUs:

	September 30, 2013	June 30, 2013
Television:		
Broadcast licenses	$ 7,864,000	$ 7,864,000
Goodwill	2,574,758	2,574,758
	10,438,758	10,438,758
Radio:		
Broadcast licenses	5,160,779	5,160,779
Goodwill	-	-
	5,160,779	5,160,779
Total		
Broadcast licenses	13,024,779	13,024,779
Goodwill	2,574,758	2,574,758
	$ 15,599,537	$ 15,599,537

6. DEFERRED REVENUE

	September 30, 2013	June 30, 2013
Magazine subscriptions revenue	$ 1,902,940	$ 1,850,773
Royalty revenue (i)	615,080	644,842
Canada periodical fund (ii)	309,413	464,120
Show and conference	438,555	88,198
Advertising revenue	101,073	188,251
	$ 3,367,061	$ 3,236,184
Less: Current portion	(2,285,262)	(2,171,731)
	$ 1,081,799	$ 1,064,453

(i) Pursuant to an affinity agreement entered into with MBNA Canada Bank ("**MBNA**"), effective December 1, 2008, the Company received $1,250,000 from MBNA as an advance against future royalties ("**Advanced Amount**") to be earned over the ten year period ending November 30, 2018. All royalties accrued in each contract year shall be applied against the Advanced Amount to a maximum of $125,000. Any royalties accrued in a contract year in excess of $125,000 will be payable to the Company. The Company is guaranteed to earn royalties equal to the Advanced Amount by the end of the ten-year contract term. If the agreement is terminated for whatever reason, other than material breach by MBNA, the unearned balance would be repayable.

(ii) At September 30, 2013, the Company had deferred revenue of $309,413 (June 30, 2013 - $464,120) related to grants received from the Canada Periodical Fund.

7. DEBT

	September 30, 2013	June 30, 2013
Note payable - Megadak Enterprises (i)	$ 1,969,742	$ 2,066,544
Note payable - Vision charity (ii)	8,225,895	8,462,336
Mortgage - First National Financial (iii)	5,527,621	5,566,084
Note payable - Davpart (iii)	3,564,451	3,597,211
Term loan - Royal Bank of Canada (iv)	6,810,168	6,841,854
Mortgage - Royal Bank of Canada (v)	6,821,857	6,847,804
Finance lease obligation	66,044	78,057
	$ 32,985,778	$ 33,459,890
Less: Current portion	(10,882,813)	(10,921,518)
	$ 22,102,965	$ 22,538,372

(i) The Company acquired certain marketing rights related to CARP and royalty revenues from Megadak Enterprises ("**Megadak**"). In exchange the Company agreed to pay Megadak $50,000 per month for 115 months. The loan is unsecured and non-interest bearing. The fair value of the loan was determined using a discount rate of 11% and the Company recorded non-cash interest expense of $53,198 during the three months ended September 30, 2013 (2012 - $63,238). The note matures on July 1, 2017.

(ii) As part of the acquisition of the television properties, the Company agreed to pay $11 million to the former owners by way of a promissory note payable, secured by a general security agreement covering the assets of the Company excluding the property located at 64 Jefferson Avenue, over 10 years at an interest rate of 7% per annum in blended monthly payments. The note matures on June 30, 2020.

(iii) As part of the acquisition of the property at 64 Jefferson Avenue, the Company assumed a mortgage held by First National Financial LP ("**First National**"). On June 27, 2012, First National's security interest on the 64 Jefferson Avenue property was discharged and as a substitute, the Company pledged its interest in the restricted cash and investments to First National as security for its mortgage. The remaining principal, net of deferred financing costs, of $5,527,621 (June 30, 2013 – $5,566,084) is payable over 17 years at an interest rate of 6.47%. The current 5-year term ends June 1, 2014, therefore the mortgage has been classified with current liabilities. Transaction costs of $99,610 have been netted against the carrying amount of the loan and will be amortized over the remaining current term.

The Company also assumed an unsecured promissory note payable to Davpart Inc., a former owner of the property, with remaining principal of $3,564,451 at September 30, 2013 (June 30, 2013 – $3,597,211) payable over 17 years at an interest rate of 7%. The current 5-year term ends June 1, 2014, therefore the loan has been classified with current liabilities.

(iv) On June 27, 2012, the Company entered into an amended and restated credit agreement with the Royal Bank of Canada. The amended credit facility consists of a $3 million revolving line of credit and a $7 million term loan, payable over 25 years and is secured by a general security agreement covering all of the assets of the Company.

Advances under the revolving line of credit bear interest at a variable rate of prime plus 2.0%. At September 30, 2013, $589,321 in letters of credit were issued against the line of credit to guarantee certain land transfer tax obligations (June 30, 2013 - $589,321) and $2,410,679 was available under the line of credit.

The term loan's remaining principal of $6,810,168 (June 30, 2013 – $6,841,854) is payable over 25 years at an interest rate of 6.297%. The current 3-year term ends June 27, 2015.

As at September 30, 2013, the Company was in compliance with its debt covenant.

(v) On June 27, 2012, the Company refinanced the property located at 64 Jefferson Avenue and entered into a $7,000,000 mortgage agreement with the Royal Bank of Canada. The mortgage is secured by a first mortgage on the property. The remaining principal, net of deferred financing costs, of $6,821,857 (June 30, 2013 – $6,847,804) is payable over 25 years at an interest rate of 6.297%. The current 3-year term ends June 27, 2015. Transaction costs of $62,849 have been netted against the carrying amount of the loan and will be amortized over the remaining term.

8. OTHER LIABILITIES

	September 30, 2013	June 30, 2013
Other program rights obligations	$ 8,878,814	$ 2,472,870
Other	-	332,762
	$ 8,878,814	$ 2,805,632
Less: Current portion	(5,924,282)	(2,472,870)
	$ 2,954,532	$ 332,762

The other program rights obligations of the Company increased significantly over the first quarter of fiscal 2014 due to the timing of program purchases for the year, where the most significant acquisitions coincide with the commencement of the new television broadcast year in September.

9. PROVISIONS

The analysis of provisions is as follows:

	Working capital settlement (i)	CRTC license requirements (ii)	Lease assignment (iii)	Total
At June 30, 2013	$ 260,796	$ 424,459	$ 29,434	$ 714,689
Additional provisions	-	14,585	-	14,585
Non-cash interest accretion	-	4,131	-	4,131
Paid during the period	-	(304,425)	(3,477)	(307,902)
At September 30, 2013	$ 260,796	$ 138,750	$ 25,957	$ 425,503
Less: Current Portion	(260,796)	(69,769)	(22,480)	(353,045)
	$ -	$ 68,981	$ 3,477	$ 72,458

(i) The Company has recognized a provision for the settlement of working capital items in connection with the acquisition of the television properties that took place in fiscal 2010.

(ii) The Company is committed to pay amounts to third parties related to the transfer of radio broadcast licenses on change of control. These were recorded as constructive obligations in the purchase accounting related to the Company's radio stations. Payments of $76,514 are due within the next twelve months.

(iii) In May 2012, the Company assigned its interest and obligations under a property lease to a third party. Under this arrangement, the Company has committed to make certain expenditures over the next 2 years.

10. SHARE CAPITAL

(a) Authorized

Unlimited preference shares that may be issued in one or more series by the Board of Directors. Preference shares are non-voting, are convertible into common shares at the option of the holder on a one for one basis at any time and have rights to dividends. As at September 30, 2013, the Company had 387,879,129 preference shares outstanding (June 30, 2013 – 387,879,129).

Unlimited number of common shares. As at June 30, 2013, the Company had 267,618,297 common shares outstanding (June 30, 2013 – 267,618,297).

(b) Stock Options

The Company has a stock option plan for the benefit of employees and directors of the Company and certain key service providers to the Company. Under the plan the Company is authorized to issue stock options up to 10% of the shares issued and outstanding at the time of the grant.

The options either vest on issuance or vest one-third upon issuance and one-third in each of the following two years, or one-third in each of the following three years.

As at September 30, 2013, the Company had 19,997,059 stock options outstanding with a weighted exercise price of $0.16 per share.

(c) Issued upon Exercise of Options

During the three months ended September 30, 2013 and 2012, no stock options were exercised.

11. OPERATING EXPENSES

	Three months ended September 30, 2013	Three months ended September 30, 2012
Employee benefits:		
Salaries and wages	$ 3,600,548	$ 3,607,918
Stock based compensation	95,657	58,041
Other employee costs	903,994	828,780
	$ 4,600,199	$ 4,494,739
Amortization of program rights	2,198,148	2,036,098
Distribution and transmission costs	2,513,306	2,721,331
Other operating expenses	1,569,777	1,514,907
	$ 10,881,430	$ 10,767,075

12. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances consists of the following:

	Three months ended September 30, 2013	Three months ended September 30, 2012
Trade and other receivables	$ 1,991,809	$ 332,575
Prepaid expenses	(230,761)	(258,320)
Trade and other payables	(968,014)	(1,171,918)
Provisions	(293,317)	(355,004)
Income tax liabilities	(33,368)	257,660
Deferred leasehold liability	-	-
Other liabilities	(332,762)	19,757
	$ 133,587	$ (1,175,250)

13. BASIC AND DILUTED INCOME PER SHARE

The following table outlines the calculations of basic and diluted income per share:

	Three months ended September 30, 2013	Three months ended September 30, 2012
Numerator for basic and diluted income per share:		
Net income for the period - basic and diluted	$ 368,292	$ 934,438
Adjusted numerator for diluted income per share	$ 368,292	$ 934,438
Common shares	267,618,297	267,284,963
Preference shares	387,879,129	387,879,129
Denominator for basic income per share - weighted average	655,497,426	655,164,092
Effect of potential dilutive securities	-	47,771
Adjusted denominator for diluted income per share	655,497,426	655,211,863
Basic income per share	**$ 0.00**	**$ 0.00**
Diluted income per share	**$ 0.00**	**$ 0.00**

The dilutive effect of outstanding stock options on earnings per share is based on the application of the treasury stock method. Under this method, the proceeds for the exercise of such securities are assumed to be used to purchase common shares of the Company.

For the three months ended September 30, 2013, no effect has been given to the potential exercise of stock options in the calculation of diluted net income per share as the effect would be anti-dilutive.

14. RELATED PARTY TRANSACTIONS

The Company is controlled by Olympus Management Limited (“**OML**”), which owns 64.3% of the Company’s shares. The President and Chief Executive Officer of the Company controls OML and is the ultimate controlling party of the Company. Fairfax Financial Holdings Limited (“**Fairfax**”) holds 26.9% of the Company’s shares. The remaining 9% of shares are widely held.

The Company’s related party transactions are summarized below. These transactions are in the normal course of operations.

(a) Transactions with a related special purpose entity

The Company publishes a magazine called ZOOMER (formerly called “CARP, the magazine”) which is directed to adults 45 years of age and up and whose subscribers are primarily members of CARP. The majority shareholder of the Company, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. CARP is a not-for-profit organization that is focused on providing support for adults 45 years of age and up in Canada. During the three months ended September 30, 2013, the Company paid subsidies of $370,817 (three months ended September 30, 2012 – $639,615). As the Company receives royalties from affinity programs and other programs that benefit from increasing membership in CARP, the Company benefits from supporting CARP. During the three months ended September 30, 2013, the Company received from CARP advertising revenues of $26,000 (three months ended September 30, 2012 - $nil), computer maintenance services fees of $nil (three months ended September 30, 2012 - $7,678), management and accounting services fees of $nil (three months ended September 30, 2012 - $19,000) and rent of $25,536 (three months ended September 30, 2012 - $21,615). The Company and CARP have an agreement with a third party that provides magazine subscriber and membership management services including the cash collection and processing of subscriptions and CARP memberships. Funds collected on behalf of the Company for subscriptions as well as CARP membership funds are forwarded to CARP at which point CARP forwards the subscription funds on to the Company. Included in accounts receivable is a receivable from CARP as at September 30, 2013 of $462,583 (June 30, 2013 – net receivable of $476,743). This balance is unsecured, non-interest bearing, with no fixed terms of repayment.

(b) Transactions with the parent company

During the three months ended September 30, 2013, the Company paid management fees of $300,000 (three months ended September 30, 2012 – $300,000) and fees for ancillary services of $89,056 (three months ended September 30, 2012 – $86,200) to OML, the majority shareholder of the Company, for the provision of executive management services, home office costs, contractor services and talent fees. The Company charged computer maintenance service fees of $nil (three months ended September 30, 2012 - $2,238) to OML. At September 30, 2013, included in accounts payable and accrued liabilities is a payable to OML of $231,004 (June 30, 2013 net payable - $345,219). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.

(c) Transactions with entities controlled by a principal shareholder

During the three months ended September 30, 2013, the Company received royalty revenues from Northbridge Financial Corporation (**"Northbridge"**), a wholly owned subsidiary of Fairfax who is a principal shareholder of the Company, of $557,809 (three months ended September 30, 2012 – $590,814) and advertising revenues of $111,991 (three months ended September 30, 2012 – $129,172). Included in accounts receivable at September 30, 2013 is a receivable from Northbridge of $283,301 (June 30, 2013 – $299,022).

A director of the Company is employed by a subsidiary of Fairfax.

15. CAPITAL MANAGEMENT

The Company considers its capital structure as the aggregate of shareholders' equity and long-term debt less cash and short-term deposits. The Company manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three-month period ended September 30, 2013.

The Company is not subject to externally imposed capital requirements.

16. GOVERNMENT ASSISTANCE

The Company receives an annual grant from the Canada Periodical Fund administered by the Department of Canadian Heritage. This grant is recognized as a reduction of operating expenses as each issue of the magazine is published. The annual grant received for the fiscal year ended June 30, 2013 was $696,180; $154,707 has been netted against operating expenses during the three months ended September 30, 2013 (three months ended September 30, 2012 - $246,718) and $309,413 remains in deferred revenue as at September 30, 2013. See Note 6.

17. COMMITMENTS AND CONTINGENCIES

(a) The Company is committed to fixed and contingent royalty payments for certain marketing rights and royalty revenue derived from the CARP name which has a term expiring December 31, 2099. The Company also earns royalty revenues earned from other affinity partners for the use of the CARP name.

(b) Future minimum lease payments under operating leases for premises (excluding the Company's proportionate share of building operating costs) and equipment over the next five fiscal years and thereafter in aggregate are as follows:

2014	$ 387,841
2015	408,728
2016	211,178
2017	33,747
2018	-
Thereafter	-
	$ 1,041,494

(c) At September 30, 2013, the Company has entered into various agreements for the right to broadcast certain television programs in the future. The acquisition of these broadcast rights is contingent on the actual delivery of the productions. Management estimates that these arrangements will result in future program expenditures of approximately $4.5 million.

(d) As part of the CRTC approval of business acquisitions involving the transfer of the ownership of television broadcast licences, the Company has committed to spend 10% of the value of the transaction, as determined by the CRTC, on activities that are intended to benefit the Canadian broadcasting system. As part of the decision relating to the VTV acquisition the Company has committed to spend $3,315,557 over 7 years on programming and other activities. At September 30, 2013, $2,085,770 had been spent leaving a remaining commitment of $1,229,787.

(e) In May 2012, the Company assigned its interests under a property lease to a third party. In the event that the third party does not fulfill its obligations, the Company will be liable for the remaining payments due under the lease. The Company's continuing obligation under the lease is secured by a general security agreement covering the assets of the Company excluding the property located at 64 Jefferson Avenue and the assets of the Radio business segment. At September 30, 2013, the remaining future minimum payments due under the lease are $3,019,118. The lease expires in April 2021.

(f) The acquisition of the television properties in June, 2010 required a minimum level of working capital to be delivered. Currently the Company is in dispute with the former owners on the working capital. The Company has made a provision (refer to Note 9(i)) representing 50% of the difference between the Company's claim and the claims of the former owner. Upon settlement, if the former owners claim is deemed to be valid, the Company will have to pay the remainder of the provision plus approximately $540,000.

18. SEGMENTED INFORMATION

Management has determined that during the year the Company operated within five reportable business segments: Television, Radio, Print, Royalty and Other operations. These business segments reflect the management structure of the Company and the way in which management reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment income (loss), as presented below.

The Television segment consists of the Company's specialty and conventional television stations and generates revenues from subscriber fees, the sale of broadcast time and advertising. The Radio segment consists of the Company's three radio stations and generates revenues primarily from the sale of advertising. The Print segment publishes Zoomer Magazine and generates revenue from advertising, subscriptions and sundry sources. The Royalty segment provides exclusive membership and marketing services to CARP and earns revenue from royalties.

Other activities include the operation of a number Canadian websites and the production of ZoomerShows, and other trade and consumer shows directed to the 45plus age group. Other activities generate revenue from advertising, sponsorship, booth rentals and ticket sales.

Corporate results primarily represent the incremental cost of corporate overhead in excess of the amount allocated to the segments. During the three months ended September 30, 2013 and 2012, Corporate results also includes revenue earned from the rental of the Company's commercial property located in Toronto and the associated expenses.

Three months ended September 30, 2013

	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 8,865,060	$ 1,741,192	$ 1,083,387	$ 644,430	$ 410,534	$ 28,895	$ 12,773,498
Operating expenses	4,972,505	1,752,124	1,466,869	370,817	674,712	1,644,403	10,881,430
Depreciation	255,518	31,626	43,729	-	16,570	131,313	478,756
Amortization	25,228	1,448	16,239	210,834	6,153	433	260,335
	$ 5,253,251	$ 1,785,198	$ 1,526,837	$ 581,651	$ 697,435	$ 1,776,149	$ 11,620,521
Non-cash interest expense	-	4,131	-	53,198	-	26,617	83,946
Interest expense (net of interest income)	146,717	-	-	-	455	346,238	493,410
Segmented income (loss)	$ 3,465,092	$ (48,137)	$ (443,450)	$ 9,581	$ (287,356)	$ (2,120,109)	$ 575,621
Segmented assets	$ 43,008,905	$ 9,929,354	$ 2,987,119	$ 7,800,885	$ 1,131,926	$ 26,103,359	$ 90,961,548
Additions - property and equipment	55,581	25,271	-	-	-	363,431	444,283
Additions - program rights	9,249,513	-	-	-	-	-	9,249,513
Additions - other intangible assets	6,226	-	-	-	-	-	6,226

Three months ended September 30, 2012

	Television	Radio	Print	Royalty	Other	Corporate	Total
Revenue	$ 8,787,331	$ 2,167,067	$ 1,231,303	$ 644,483	$ 501,439	$ 26,394	$ 13,358,017
Operating expenses	4,684,108	2,136,584	1,342,732	639,615	788,660	1,175,375	10,767,075
Depreciation	272,626	41,990	36,307	-	14,786	92,148	457,856
Amortization	33,051	1,448	13,582	210,834	5,531	291	264,737
	$ 4,989,786	$ 2,180,022	$ 1,392,621	$ 850,449	$ 808,976	$ 1,267,814	$ 11,489,668
Non-cash interest expense	46,474	23,608	-	63,238	-	-	133,320
Interest (net of income)	162,657	-	-	-	-	380,274	542,931
Segmented income (loss)	$ 3,588,414	$ (36,563)	$ (161,318)	$ (269,204)	$ (307,537)	$ (1,621,694)	$ 1,192,098
Total assets	$ 36,913,727	$ 15,467,711	$ 3,483,825	$ 8,644,221	$ 1,418,762	$ 25,480,399	$ 91,408,645
Additions - property and equipment	-	-	-	-		154,430	154,430
Additions - program rights	3,893,313	-	-	-	-	-	3,893,313
Additions - other intangible assets	-	-	-	-	-	-	-