

Consolidated financial statements of

TVA GROUP INC.

For the years ended December 31, 2013 and 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TVA Group Inc.

We have audited the accompanying consolidated financial statements of **TVA Group Inc.**, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of income (loss), comprehensive income (loss), equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TVA Group Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP¹

Montréal, Canada
February 28, 2014

¹ CPA auditor, CA, public accountancy permit no. A121006



TVA GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

Consolidated financial statements

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TVA GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Years ended December 31, 2013 and 2012

(in thousands of dollars, except per share amounts)

	Note	2013	2012 (restated, note 1(b))
Revenues	2 and 24	\$ 444,816	\$ 453,147
Purchases of goods and services	3	253,485	262,489
Employee costs		130,761	148,176
Amortization of property, plant and equipment and intangible assets	15 and 16	21,430	20,342
Financial expenses	5	6,265	7,322
Operational restructuring costs, impairment of assets and other costs	6 and 19	4,865	117
Impairment of goodwill	7	–	32,200
Gain on disposal of investments	8	–	(12,881)
Income (loss) before tax expense and share of loss of associated corporations and joint ventures		28,010	(4,618)
Tax expense	10	6,110	4,583
Share of loss of associated corporations and joint ventures	14	6,154	1,677
Net income (loss)		\$ 15,746	\$ (10,878)
Net income (loss) attributable to:			
Shareholders		\$ 15,746	\$ (6,464)
Non-controlling interest	26	–	(4,414)
Basic and diluted earnings per share attributable to shareholders	22	\$ 0.66	\$ (0.27)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note	2013	2012 (restated, note 1(b))
Net income (loss)		\$ 15,746	\$ (10,878)
Other comprehensive items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement gain (loss)	25	35,304	(3,137)
Deferred income taxes	10	(9,536)	840
		25,768	(2,297)
Comprehensive income (loss)		\$ 41,514	\$ (13,175)
Comprehensive income (loss) attributable to:			
Shareholders		\$ 41,514	\$ (8,761)
Non-controlling interest	26	–	(4,414)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 22)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income - Defined benefit plans		
Balance as at December 31, 2011, as previously reported	\$ 98,647	\$ -	\$ 176,993	\$ -	\$ 5,389	\$ 281,029
Changes in accounting policies (note 1(b))	-	-	17,408	(18,323)	-	(915)
Balance as at December 31, 2011, restated	98,647	-	194,401	(18,323)	5,389	280,114
Net loss	-	-	(6,464)	-	(4,414)	(10,878)
Other comprehensive loss	-	-	-	(2,297)	-	(2,297)
Contributions related to non-controlling interest (note 26)	-	-	-	-	3,528	3,528
Disposal of interest in SUN News (note 26)	-	581	-	-	(4,503)	(3,922)
Balance as at December 31, 2012	98,647	581	187,937	(20,620)	-	266,545
Net income	-	-	15,746	-	-	15,746
Other comprehensive income	-	-	-	25,768	-	25,768
Balance as at December 31, 2013	\$ 98,647	\$ 581	\$ 203,683	\$ 5,148	\$ -	\$ 308,059

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2013 and 2012

(in thousands of dollars)

	Note	2013	2012 (restated, note 1(b))
Assets			
Current assets			
Cash		\$ 7,717	\$ 10,619
Accounts receivable	12	136,408	115,925
Income taxes		124	3,152
Programs, broadcast and distribution rights and inventories	13	61,428	67,579
Prepaid expenses		2,380	2,426
		208,057	199,701
Non-current assets			
Broadcast and distribution rights	13	31,985	33,563
Investments	14	14,822	17,651
Property, plant and equipment	15	100,962	98,494
Licences and other intangible assets	16	112,566	112,056
Goodwill	17	44,536	39,781
Defined benefit plan asset	25	8,238	—
Deferred income taxes	10	885	725
		313,994	302,270
Total assets		\$ 522,051	\$ 501,971

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note	2013	2012 (restated, note 1(b))
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities	18	\$ 85,960	\$ 89,092
Income taxes		1,828	816
Broadcast and distribution rights payable		17,304	16,966
Provisions	6 and 19	645	862
Deferred revenues	24	9,302	6,136
Short-term debt	20	74,640	–
		189,679	113,872
Non-current liabilities			
Long-term debt	20	–	74,438
Other liabilities	21 and 25	3,974	38,499
Deferred income taxes	10	20,339	8,617
		24,313	121,554
Equity			
Capital stock	22	98,647	98,647
Contributed surplus	26	581	581
Retained earnings		203,683	187,937
Accumulated other comprehensive income (loss)		5,148	(20,620)
Equity attributable to shareholders		308,059	266,545
Commitments, guarantees and contingencies	19 and 27		
Total liabilities and equity		\$ 522,051	\$ 501,971

See accompanying notes to consolidated financial statements.

On February 28, 2014, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2013 and 2012.

On behalf of the Board of Directors,

(signed)

Pierre Karl Péladeau, Chairman of the Board

(signed)

Marc A. Courtois, Chairman of the Audit Committee

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note	2013	2012 (restated, note 1(b))
Cash flows related to operating activities			
Net income (loss)		\$ 15,746	\$ (10,878)
Adjustments for:			
Amortization	5, 15 and 16	21,632	20,762
Impairment of assets	6	2,093	–
Impairment of goodwill	7	–	32,200
Gain on disposal of investments	8	–	(12,881)
Share of loss of associated corporations and joint ventures		6,154	1,677
Deferred income taxes	10	1,162	809
Cash flows provided by current operations		46,787	31,689
Net change in non-cash balances related to operating activities	11 (a)	(20,509)	3,470
Cash flows provided by operating activities		26,278	35,159
Cash flows related to investing activities			
Additions to property, plant and equipment	15	(16,245)	(21,830)
Additions to intangible assets	16	(3,003)	(3,265)
(Acquisition) disposal of businesses, net of cash	9 and 26	(6,607)	765
Net change in investments	14 and 26	(3,325)	17,289
Cash of SUN News at the date of deconsolidation	26	–	(430)
Cash flows used in investing activities		(29,180)	(7,471)
Cash flows related to financing activities			
Net change in bank overdraft		–	(3,980)
Net change in revolving credit facility	20	–	(17,982)
Financing costs	20	–	(391)
Non-controlling interest	26	–	3,528
Cash flows used in financing activities		–	(18,825)
Net change in cash		(2,902)	8,863
Cash, beginning of year		10,619	1,756
Cash, end of year		\$ 7,717	\$ 10,619

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

TVA Group Inc. (“TVA Group” or the “Corporation”) is governed by the *Québec Business Corporations Act*. TVA Group is an integrated communications company with two operating segments: Television and Publishing (note 29). The Corporation is a subsidiary of Quebecor Media Inc. (“Quebecor Media” or “the parent corporation”) and the ultimate parent corporation is Quebecor Inc. (“Quebecor”). The Corporation’s head office is located at 1600 de Maisonneuve Boulevard East, Montréal, Québec, Canada. The Corporation’s ownership interests in its main subsidiaries are as follows:

	% of ownership
TVA Publications Inc.	100.0%
Les Publications Charron & Cie Inc.	100.0%
TVA Productions Inc.	100.0%
TVA Productions II Inc.	100.0%
TVA Sales and Marketing Inc.	100.0%
TVA Accès Inc.	100.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the *International Accounting Standards Board* (“IASB”). These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(l)), the stock-based compensation liability (note 1(u)) and the net defined benefit asset or liability (note 1(v)), and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate (“functional currency”).

The comparative figures for the year ended December 31, 2012 have been reclassified to conform to the presentation adopted for the year ended December 31, 2013.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

- (i) IFRS 10 *Consolidated Financial Statements* replaces SIC 12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent corporation.
- (ii) IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interest in joint ventures. The new standard requires that such interests be recognized using the equity method.

The adoption of the standard had the following impacts on comparative figures of prior period:

Consolidated statement of income

Increase (decrease)	2012
Revenues	\$ (4,219)
Purchase of goods and services	(2,512)
Financial expenses	7
Loss before tax expense and share of loss of associated corporations and joint ventures	1,714
Share of loss of associated corporations and joint ventures	(1,714)
Net income	\$ -

- (iii) IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.
- (iv) IFRS 13 *Fair Value Measurement* is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

- (v) IAS 1 *Presentation of Financial Statements* was amended and the principal change resulting from amendments to this standard is the requirement to present separately other comprehensive items that may be reclassified to income and other comprehensive items that will not be reclassified to income.
- (vi) IAS 19 *Employee Benefits (amended)* involves, among other changes, the immediate recognition of the re-measurement component in other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or to defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the consolidated statement of income. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period. IAS 19 also allows amounts recorded in other comprehensive income to be recognized either immediately in retained earnings or as a separate category within equity. The Corporation chose to recognize amounts recorded in other comprehensive income in accumulated other comprehensive income.

The adoption of the amended standard had the following impacts on prior period comparative figures:

Consolidated statement of income

Increase (decrease)	2012
Employee costs	\$ 1,368
Financial expenses	1,850
Deferred income tax expense	(866)
Net income attributable to shareholders	\$ (2,352)

Consolidated statement of comprehensive income

Increase (decrease)	2012
Net income	\$ (2,352)
Re-measurement gain (loss)	4,469
Deferred income taxes	(1,202)
Comprehensive income attributable to shareholders	\$ 915

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(vi) IAS 19 *Employee Benefits (amended)* (continued)

Consolidated balance sheets

Increase (decrease)	2012	2011
Other liabilities	\$ -	\$ 1,251
Deferred income tax liability	-	(336)
Retained earnings	20,620	17,408
Accumulated other comprehensive income	(20,620)	(18,323)

(c) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. The Corporation controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interest in the net assets and results of the consolidated subsidiary is identified separately from the Corporation's interest. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(d) Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the acquisition-date fair value of the consideration given in exchange for control of the acquiree. This consideration may comprise cash payments, asset transfers, financial instrument issues or future contingent payments. The identifiable assets acquired and liabilities assumed from the acquiree are recognized at acquisition-date fair value. The results of an acquiree's operations are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred.

Non-controlling interest in an acquiree is initially measured at fair value and is presented in the consolidated balance sheet within equity, separately from "Equity attributable to shareholders."

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated into the functional currency at the exchange rate in effect at the transaction date. Revenues and expenses in foreign currencies are translated into the functional currency at the average rate in effect during the year, with the exception of amortization, which is translated at the historical rate. Translation gains and losses are included in the statements of income for the year under "Financial expenses."

(f) Revenue recognition

Advertising revenues

Revenues from the sale of advertising airtime and space on the Corporation's websites are recognized when the advertisement airs or is displayed online. Revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e. at the magazine publication date.

Subscription revenues

Fee revenues from specialty television channel subscriptions are recognized on a monthly basis when the service is rendered.

Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term.

Revenues from newsstand magazine sales

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less an allowance for future returns.

Distribution revenues

Revenues from the sale of film and audiovisual product distribution rights are recognized when the following conditions have been met:

- (i) Significant risks and rewards of ownership, including effective control, have been transferred to the buyer. Risks and rewards are deemed to have been transferred only if there is a contract or other legally enforceable document setting forth, as a minimum, (a) the licence period, (b) the product or group of products covered and (c) the consideration to be received in exchange for the rights;
- (ii) The amount of revenue can be reliably measured;
- (iii) The receipt of economic benefits associated with the transaction is probable;
- (iv) The licence period has begun and the operation, screening, broadcasting or selling process can begin;
- (v) The costs incurred or to be incurred in respect of the transaction can be reliably measured;
- (vi) The stage of completion can be reliably measured where services have been rendered.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Distribution revenues (continued)

Theatrical revenues are recognized in the months during which the film is shown in theatres, based on a percentage of box office receipts, provided that the above conditions have been met. Revenues from videos are recognized during the period in which the film is released on video and are based on DVD/Blu-ray deliveries, less an allowance for future returns, or based on a percentage of retail sales, provided that the above conditions have been met.

Sales of products on the home shopping TV channel

Revenues from the sale of products on the home shopping TV channel are recognized when the products are delivered, less an allowance for future returns.

(g) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which are the smallest identifiable groups of assets that generate largely independent cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment each fiscal year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU. Fair value less costs to sell is the amount obtainable by an entity at the valuation date from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and allocated to the assets in the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets with indefinite useful lives, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

(h) Barter transactions

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered according to tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are valued at the enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period during which the substantive enactment date falls. A deferred income tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the amount that is more probable than not to be realized. A deferred income tax expense or benefit is recognized in other comprehensive income (loss) or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income (loss) or directly in equity in the same or a different period.

In the normal course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and continuous changes in related tax interpretations and legislation. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or the income tax liability is no longer probable.

(j) Earnings per share

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method to determine the dilutive effects of options when calculating diluted earnings per share.

(k) Leases

Assets under leasing agreements are classified at the inception of the lease as (a) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (b) operating leases for all other leases. All of the Corporation's current leases are classified as operating leases.

Operating lease payments are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available for sale, held to maturity, loans and receivables or other financial liabilities. Measurement of financial instruments in subsequent periods depends on their classification. The Corporation has classified its financial instruments as follows:

Held for trading	Loans and receivables	Available for sale	Other financial liabilities
<ul style="list-style-type: none">Cash	<ul style="list-style-type: none">Accounts receivableReceivables from entities under common control and affiliates	<ul style="list-style-type: none">Portfolio investments included under "Investments"	<ul style="list-style-type: none">Accounts payable and accrued liabilitiesBroadcast and distribution rights payableProvisionsLong-term debtOther long-term financial liabilities included under "Other liabilities"

Financial instruments held for trading are measured at fair value with changes recognized through income. Available-for-sale investment portfolios are measured at fair value or at cost for investments in shares that do not have a quoted market price in an active market or for which fair value is not sufficiently reliable. Any changes in fair value are recorded through comprehensive income (loss). Financial assets classified as loans and receivables and financial liabilities classified as other financial liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method of amortization.

(m) Financing costs

Financing costs related to long-term debt are capitalized as a reduction of long-term debt and are amortized using the effective interest method.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Tax credits and government assistance

The Corporation is eligible for several government programs designed to support televisual product programming and production, film distribution, magazine publishing and investment projects. Government financial assistance is recognized as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

Assistance under the Local Programming Improvement Fund ("LPIF") is recorded in revenues, whereas assistance for television productions is recorded as a reduction of production costs, which are reported in operating expenses. In the Publishing segment, government assistance for the production and distribution of Canadian content in magazines is recognized as revenue. Government assistance is initially reported in deferred revenues and amortized over the period covered by the program.

Government assistance for film distribution is subject to specific conditions with respect to distribution operations; if the Corporation fails to comply with these conditions, it may be required to repay the assistance in whole or in part. The non-refundable portion of the government assistance for marketing costs is accounted for as a reduction of such costs. The potentially refundable portion is accounted for as an advance and is repayable in whole or in part when the film reaches certain profitability levels. If the film fails to reach the expected revenue levels, all or part of such advances would not be refundable by the Corporation and would be accounted for as a reduction of the Corporation's operating expenses.

(o) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when management deems them not collectible.

(p) Programs, broadcast and distribution rights and inventories

Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lower of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and overhead expenses related to each production. The cost of each program is charged to operating expenses when they are broadcast.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Programs, broadcast and distribution rights and inventories (continued)

Broadcast rights and broadcast rights payable

Broadcast rights are contractual rights allowing a limited or unlimited number of broadcasts of televisual products or films. The Corporation recognizes an acquired broadcast rights asset and records obligations incurred under broadcast rights acquisition contracts as a liability when the broadcast period begins and the following conditions have been met:

- (i) The cost of each program, film or series is known or can be reasonably determined;
- (ii) The programs, films or series have been accepted by the Corporation or the live event is broadcast in accordance with the conditions of the broadcast licence agreement;
- (iii) The programs, films or series are available for first showing or broadcast or the live event is broadcast.

Prior to all the above asset recognition conditions being met, the amounts paid for broadcast rights are accounted for as prepaid broadcast rights under "Programs, broadcast and distribution rights and inventories" and "Broadcast and distribution rights."

Broadcast rights are classified as current or long-term, based on management's estimate of the broadcast period. These rights are charged to operating expenses when televisual products and films are broadcast over the contract period, using a method based on estimated future revenues and the estimated number of showings.

Broadcast rights payable are classified as current or long-term liabilities based on the payment terms set out in the acquisition contracts.

Distribution rights and distribution rights payable

Distribution rights related to film and audiovisual product distribution activities include costs to acquire film distribution rights and costs incidental to such rights. The Corporation recognizes a distribution rights asset and records obligations incurred under distribution rights acquisition contracts as a liability when (i) the cost of the distribution rights is known or can be reasonably estimated, (ii) the audiovisual product or film has been accepted under the terms set out in the broadcast rights acquisition contract, and (iii) the audiovisual product or film is available for distribution.

Prior to all the above asset recognition conditions being met, the amounts paid for distribution rights are accounted for as prepaid distribution rights under "Programs, broadcast and distribution rights and inventories" and "Broadcast and distribution rights."

Distribution rights are recognized in operating expenses using the individual-film-forecast-computation method. Under this method, each distribution right is expensed based on actual gross revenues relative to total anticipated gross revenues over a reasonable operating period.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Programs, broadcast and distribution rights and inventories (continued)

Inventories

Product inventories are valued at the lower of cost, determined by the first-in, first-out method, and net realizable value.

Net realizable value

Estimates of future revenue, used to determine net realizable values of inventories related to the broadcasting or distribution of audiovisual products and films, are reviewed periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to net realizable value, as necessary, based on this assessment.

The net realizable value of product inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The amount of the impairment write-down of programs, broadcast and distribution rights and inventories is reversed when the circumstances that previously caused the write-down expense no longer exist.

(q) Investments

Interests in joint ventures and investments in associated corporations are accounted for using the equity method. Under this method, the share of loss (income) of associated corporations and joint ventures is recorded in the consolidated statement of income. Other investments are recorded at cost. Carrying values of investments are reduced to estimated fair values if there is objective evidence of impairment.

(r) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost consists of acquisition costs, net of government grants and investment tax credits, and/or development costs, including preparation, installation and testing costs. Future expenditures, such as maintenance and repair costs, are recorded in operating expenses as incurred.

Amortization is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Buildings and their components	10-40 years
Equipment	5-15 years

Leasehold improvements are amortized over the shorter of the term of the lease or the economic life of the leased asset.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment (continued)

Amortization methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

(s) Goodwill and intangible assets

Goodwill

For all business acquisitions that occurred after January 1, 2010, goodwill is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of equity interests in the acquiree at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

Goodwill attributable to business acquisitions occurring prior to January 1, 2010 is the excess of the cost of acquisition over the Corporation's share of the acquisition-date fair value of the identifiable assets acquired and liabilities assumed of the acquiree. No goodwill was attributable to the non-controlling interest in respect of these acquisitions.

For impairment testing purposes (note 1(g)), goodwill is allocated to a CGU as of the business acquisition date. Goodwill is allocated to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

Intangible assets

Broadcasting licences, magazine operating licences and publishing trademarks have indefinite useful lives. In particular, given the low cost of renewing broadcasting licences, management considers it economically compelling to renew licences and comply with all their inherent rules and terms and conditions.

Intangible assets with finite useful lives are amortized on a straight-line basis over the following periods:

Assets	Estimated useful life
Software, websites and mobile applications	3-10 years
Non-competition agreement	10 years
Favourable distribution agreement	43 months

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at each year-end. Any change is accounted for prospectively as a change in accounting estimate.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, consisting primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting periods in which the re-measurements occurred.

(u) Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are classified as a liability at fair value, with the compensation expense recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation expense.

Estimates of the fair value of stock-based awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant. The main assumptions are discussed in notes 22 and 23.

(v) Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to its employees.

Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits (continued)

Defined benefit pension plans and postretirement benefits

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, employee retirement ages and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- (i) service costs provided in exchange for employee services rendered during the year;
- (ii) prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income and in accumulated other comprehensive income. Re-measurements are comprised of the following items:

- (i) actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- (ii) the difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;
- (iii) changes in the net benefit asset limit or in the minimum funding liability.

Under certain circumstances, the recognition of a net benefit asset is limited to the recoverable amount, which is primarily based on the present value of future contributions to the plan, to extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans.

Under a former plan, the Corporation also offers life, health and dental insurance plans to some of its retired employees. This postretirement coverage is no longer offered to the Corporation's active employees. The accounting method used to determine the cost of postretirement benefits is similar to that for defined benefit pension plans. The related benefits are funded by the Corporation as they become due.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from these estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable value of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or the CGU on the basis of its fair value less costs to sell or its value in use. These estimates are based on valuation models that require the use of certain assumptions, such as a pre-tax discount rate (WACC) and a perpetual growth rate. Those assumptions have a significant impact on the results of impairment tests and on the impairment expense recorded in the consolidated statement of income, if any. Note 17 describes the key assumptions used in the goodwill impairment tests and presents a sensitivity analysis of recoverable amounts.

(ii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions may have a significant impact on employee costs and financial expenses recognized in the consolidated statement of income, the re-measurement gain or loss on defined benefit plans recognized in the consolidated statement of comprehensive income, and on the carrying amount of defined benefit plan asset or other liabilities recognized in the consolidated balance sheet. Note 25 describes the key assumptions and presents sensitivity analysis on discount rate.

(iii) Provisions

Recognition of provisions requires management to estimate the payments required as of the valuation date to settle the existing obligation or transfer it to a third party. An assessment of the probable outcomes of legal proceedings and other contingencies is also necessary. Note 19 describes the main provisions, including management's assessment of the potential impact of the outcome of legal proceedings on the consolidated statements of income.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgment (continued)

The following areas represent management's most significant judgments, apart from those involving estimates :

(i) Determination of useful life periods for the amortization of assets with finite useful lives

For each class of assets with finite useful lives, management must determine the period over which the Corporation expects to derive future economic benefits from the assets. The determination of a useful life period requires judgment and has an impact on the amortization expense recognized in the consolidated statement of income.

(ii) Determination of CGUs for the purpose of impairment tests

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. To identify the assets to be included in a CGU, the Corporation considers, among other things, combined service offerings, sharing of broadcasting infrastructure, integration of media assets, similar market risk exposure and materiality. The determination of CGUs can have an impact on the results of impairment tests and the impairment expense recorded in the consolidated statement of income, if any.

(iii) Interpretation of laws and regulations

The interpretation of laws and regulations, including tax rules, requires management to exercise judgment, which may have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

x) Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial instruments* is required to be applied retrospectively, with early application permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing the complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) IFRIC 21 – *Levies* is required to be applied retrospectively for periods beginning January 1, 2014.

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	2013	2012 (restated, note 1(b))
Services rendered ¹	\$ 344,721	\$ 345,665
Product sales	100,095	107,482
	\$ 444,816	\$ 453,147

¹ The Corporation collects royalties on the retransmission of its television signal in markets located outside the local service areas of its over-the-air stations. On November 30, 2013, the Copyright Board of Canada (CBC) approved the agreement regarding a new division of royalties between copyright collectives for the 2009-2013 period, whereby the Corporation receives a significantly increased portion of the royalties. The Corporation recorded an amount to reflect the increase in its share of the royalties in 2013, of which \$6,111,000 applied to the years 2009 to 2012 and \$1,460,000 applied to 2013. These royalties are included in their entirety in other receivables as at December 31, 2013 (note 12).

3. PURCHASES OF GOODS AND SERVICES

The main components are as follows:

	2013	2012 (restated, note 1(b))
Royalties, rights and production costs	\$ 160,033	\$ 160,612
Printing and distribution	19,382	22,552
Marketing, advertising and promotion	15,374	14,822
Building costs	8,873	9,440
Services rendered by the parent corporation	21,971	17,263
Other	27,852	37,800
	\$ 253,485	\$ 262,489

4. BARTER TRANSACTIONS

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. For the year ended December 31, 2013, the Corporation recognized revenues from barter transactions totalling \$6,328,000 (\$9,424,000 in 2012) and operating expenses related to barter transactions totalling \$6,514,000 (\$9,357,000 in 2012).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

5. FINANCIAL EXPENSES

	Note	2013	2012 (restated, note 1(b))
Interest on long-term debt	20	\$ 4,536	\$ 4,996
Amortization of financing costs		202	420
Interest on net defined benefit liability or asset	25	1,681	1,850
Foreign exchange loss		23	102
Net interest income		(177)	(46)
		\$ 6,265	\$ 7,322

6. OPERATIONAL RESTRUCTURING COSTS, IMPAIRMENT OF ASSETS AND OTHER COSTS

	2013	2012
Operational restructuring costs	\$ 2,622	\$ 117
Asset impairment	2,093	—
Other	150	—
	\$ 4,865	\$ 117

During fiscal 2013, the Corporation recorded \$2,214,000 in operational restructuring costs following the elimination of positions, including \$1,058,000 in the Television segment and \$1,156,000 in the Publishing segment. The Corporation had recorded \$117,000 in operational restructuring costs during fiscal 2012 following the elimination of several positions in the Publishing segment.

The Corporation announced the discontinuation of the TVA Boutiques division's home shopping and online shopping operations during fiscal 2013. In connection with this repositioning, the Corporation recorded an impairment charge of \$1,706,000 on inventory and some receivables, as well as a \$408,000 provision for operational restructuring costs, including termination benefits.

During fiscal 2013, the Corporation also recorded a \$387,000 impairment charge related to its long-term distribution rights inventory following its decision to discontinue theatrical distribution of new Quebec films.

7. IMPAIRMENT OF GOODWILL

Following the adoption in 2012 of new rates for business contributions toward the costs of waste recovery and recycling services provided by Quebec municipalities, the Corporation had to review its business plan for the related activities and perform an impairment test on the Publishing CGU. The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of \$32,200,000 was recorded in the first quarter of 2012.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

8. GAIN ON DISPOSAL OF INVESTMENTS

On May 31, 2012, following Canadian Radio-television and Telecommunications Commission (CRTC) approval, the Corporation completed the sale of its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in the joint ventures, Shaw Media Global Inc., for a total cash consideration of \$20,963,000. A \$12,881,000 gain on disposal of investments, before income taxes, was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of investments.

9. BUSINESS ACQUISITIONS

On July 18, 2013, the Corporation acquired all of the issued and outstanding shares of Les Publications Charron & Cie Inc., publisher of *La Semaine* magazine, for a total consideration of \$7,768,000, of which \$568,000 remains unpaid in respect of acquired working capital items. As part of this transaction, the Corporation also acquired all of the issued and outstanding shares of Charron Éditeur Inc., a publishing house, and simultaneously transferred its operations to Sogides Group, a corporation under common control, for the equivalent of the price paid, namely an agreed price of \$219,000, net of transferred working capital items. The results of the new subsidiary, Les Publications Charron & Cie Inc., have been included in the Corporation's consolidated results since July 18, 2013. As the purchase price allocation process was not completed as of December 31, 2013, the purchase price being subject to certain customary adjustments for the working capital items acquired, the amounts allocated to assets and liabilities may be changed subsequently.

The preliminary allocation of the acquisition price of Les Publications Charron & Cie Inc. is as follows:

	2013
Assets acquired	
Cash	\$ 593
Current assets	1,109
Non-current assets	29
Property, plant and equipment	94
Intangible assets	3,030
Goodwill	4,755
	9,610
Liabilities assumed	
Current liabilities	(1,134)
Deferred income taxes	(708)
	(1,842)
Net assets acquired at fair value	\$ 7,768
Consideration	
Cash	7,200
Liability related to the preliminary adjustment in working capital	568
	\$ 7,768

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

9. BUSINESS ACQUISITIONS (continued)

The Corporation's consolidated revenues and its consolidated pro forma net income would have been \$449,339,000 and \$16,225,000 respectively had the business acquisition occurred at the beginning of the fiscal year.

No goodwill is deductible for income tax purposes.

10. INCOME TAXES

Income tax expense is detailed as follows:

	2013	2012 (restated, note 1(b))
Current	\$ 4,948	\$ 3,774
Deferred	1,162	809
	\$ 6,110	\$ 4,583

The following table reconciles income taxes at the Canadian statutory tax rate of 26.9% in 2013 and 2012 and income taxes in the consolidated statements of income:

	2013	2012 (restated, note 1(b))
Incomes taxes at Canadian statutory tax rate	\$ 7,535	\$ (1,242)
Impact of provincial tax rate differences	(10)	(14)
	7,525	(1,256)
Increase (decrease) resulting from:		
Tax impact of deductible losses of SUN News	(1,882)	(1,138)
Tax impact of the Corporation's non-deductible share of SUN News losses	–	1,187
Tax impact of non-deductible charges and non-taxable revenues	698	(1,126)
Non-deductible impairment of goodwill	–	8,662
Change in benefit arising from the recognition of prior year tax losses	–	(1,511)
Other ¹	(231)	(235)
Income taxes	\$ 6,110	\$ 4,583

¹ Includes reductions in deferred tax liabilities of \$336,000 (\$103,000 in 2012) in light of changes in tax audit matters, jurisprudence and tax legislation.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

10. INCOME TAXES (continued)

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		Consolidated statements of income (loss)	
	2013	2012 (restated, note 1(b))	2013	2012 (restated, note 1(b))
Loss carryforwards	\$ 349	\$ 347	\$ (2)	\$ (249)
Accounts payable, accrued liabilities, provisions and deferred revenue	1,509	1,128	(363)	(126)
Defined benefit plans	(1,755)	9,808	2,027	1,138
Property, plant and equipment	332	86	(237)	(96)
Goodwill, licences and other intangible assets	(18,656)	(18,118)	(112)	433
Other	(1,233)	(1,143)	(151)	(291)
	\$ (19,454)	\$ (7,892)	\$ 1,162	\$ 809

Changes in the net deferred income tax liability are as follows:

	2013	2012 (restated, note 1(b))
Balance as of beginning of the year	\$ (7,892)	\$ (7,903)
Recognized in statement of income	(1,162)	(809)
Recognized in other comprehensive income	(9,536)	840
Other	(864)	(20)
Balance as of end of the year	\$ (19,454)	\$ (7,892)

The Corporation recorded no deferred income tax liabilities with respect to its subsidiaries' retained earnings during the current year or in prior years because it does not expect to sell these investments or that these retained earnings will become taxable.

As of December 31, 2013, the Corporation had loss carryforwards for income tax purposes of approximately \$1,309,000 available to reduce its future taxable income. These loss carryforwards expire in 2032 and 2033.

The Corporation also has \$167,896,000 in unrecognized capital loss carryforwards with no expiry to be used solely to reduce future capital gains.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

11. CASH FLOW INFORMATION

The following tables provide supplementary information regarding the consolidated statements of cash flows.

- (a) Changes in non-cash balances related to operations, net of the effect of business acquisitions and disposals, are as follows:

	2013	2012 (restated, note 1(b))
Accounts receivable	\$ (17,370)	\$ 143
Programs, broadcast and distribution rights and inventories	6,056	(3,978)
Accounts payable and accrued liabilities	(6,557)	11,438
Broadcast and distribution rights payable	505	1,515
Income taxes	3,941	1,175
Defined benefit plan asset and other liabilities	(7,617)	(5,900)
Other	533	(923)
	\$ (20,509)	\$ 3,470

- (b) Interest and income taxes paid and received, classified in operating activities, are detailed as follows:

	2013	2012 (restated, note 1(b))
Net interest paid	\$ 4,514	\$ 5,031
Income taxes paid (net of refunds)	1,005	2,578

12. ACCOUNTS RECEIVABLE

	Note	2013	2012
Trade receivables	28 (b)	\$ 73,457	\$ 68,311
Other receivables	2	23,227	13,255
Trade and other receivables from entities under common control and affiliates		32,372	28,889
Tax credits and government assistance receivable		7,352	5,470
		\$ 136,408	\$ 115,925

Receivables from entities under common control and affiliates are subject to the same conditions as trade accounts receivable. Entities under common control are subsidiaries of the parent corporation.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

13. PROGRAMS, BROADCAST AND DISTRIBUTION RIGHTS AND INVENTORIES

	2013		
	Short-term	Long-term	Total
Programs produced and productions in progress	\$ 5,682	\$ –	\$ 5,682
Broadcast rights	53,603	31,834	85,437
Distribution rights	1,177	151	1,328
Inventories	966	–	966
	\$ 61,428	\$ 31,985	\$ 93,413

	2012		
	Short-term	Long-term	Total
Programs produced and productions in progress	\$ 7,418	\$ –	\$ 7,418
Broadcast rights	56,476	33,068	89,544
Distribution rights	691	495	1,186
Inventories	2,994	–	2,994
	\$ 67,579	\$ 33,563	\$ 101,142

The cost of inventories and expenses related to programs, broadcast and distribution rights included in purchases of goods and services and employee costs amounted to \$280,168,000 in 2013 (\$292,771,000 in 2012). In 2013, an impairment expense totalling \$596,000 (\$300,000 in 2012) related to inventories, programs and broadcast and distribution rights was recorded in purchases of goods and services.

14. INVESTMENTS

	Note	2013	2012
Tele Inter-Rives Ltd., associated corporation, 45% ownership interest		\$ 10,841	\$ 10,496
SUN News, associated corporation, 49% ownership interest	26	2,688	4,264
Other investments ¹		1,293	2,891
		\$ 14,822	\$ 17,651

¹ During the year ended December 31, 2013, the Corporation received \$1,598,000 related to the winding up of a portfolio investment.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Equipment	Projects under development	Total
Cost:				
Balance as at December 31, 2011	\$ 90,579	\$ 170,624	\$ 5,653	\$ 266,856
Acquisitions ¹	8,518	9,074	3,393	20,985
Reclassification	2,478	1,103	(4,188)	(607)
Write-offs and disposals	(1,164)	(2,303)	–	(3,467)
Property, plant and equipment related to SUN News (note 26)	(3,202)	(20,224)	(201)	(23,627)
Balance as at December 31, 2012	97,209	158,274	4,657	260,140
Acquisitions ¹	4,975	6,972	6,159	18,106
Business acquisitions (note 9)	3	91	–	94
Reclassification	418	3,507	(4,139)	(214)
Write-offs and disposals	(52)	(870)	–	(922)
Balance as at December 31, 2013	\$ 102,553	\$ 167,974	\$ 6,677	\$ 277,204
Accumulated amortization and impairment:				
Balance as at December 31, 2011	\$ 63,310	\$ 101,539	\$ –	\$ 164,849
Amortization	3,345	11,779	–	15,124
Reclassification	–	(106)	–	(106)
Write-offs and disposals	(1,164)	(2,303)	–	(3,467)
Property, plant and equipment related to SUN News (note 26)	(2,770)	(11,984)	–	(14,754)
Balance as at December 31, 2012	62,721	98,925	–	161,646
Amortization	3,686	11,844	–	15,530
Reclassification	–	(12)	–	(12)
Write-offs and disposals	(52)	(870)	–	(922)
Balance as at December 31, 2013	\$ 66,355	\$ 109,887	\$ –	\$ 176,242
Net carrying amount:				
As at December 31, 2012	\$ 34,488	\$ 59,349	\$ 4,657	\$ 98,494
As at December 31, 2013	36,198	58,087	6,677	100,962

¹ The net change in additions to property, plant and equipment funded by accounts payable and accrued liabilities, consisting primarily of equipment, amounted to \$1,861,000 for the year ended December 31, 2013 (-\$845,000 for the year ended December 31, 2012).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

16. LICENCES AND OTHER INTANGIBLE ASSETS

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of licences and other intangible assets are as follows:

	Broadcasting licences ¹	Software, websites and mobile applications	Other intangible assets ¹	Projects under development	Total
Cost:					
Balance as at December 31, 2011	\$ 92,850	\$ 43,357	\$ 894	\$ 1,606	\$ 138,707
Acquisitions ²	–	2,445	–	699	3,144
Reclassification	–	1,571	–	(964)	607
Write-offs and disposals	(280)	–	(50)	–	(330)
Intangible assets related to SUN News (note 26)	–	(828)	–	–	(828)
Balance as at December 31, 2012	92,570	46,545	844	1,341	141,300
Acquisitions ²	–	2,254	–	924	3,178
Business acquisitions (note 9)	–	30	3,000	–	3,030
Reclassification	–	1,328	–	(1,114)	214
Write-offs and disposals	–	(1,125)	–	–	(1,125)
Balance as at December 31, 2013	\$ 92,570	\$ 49,032	\$ 3,844	\$ 1,151	\$ 146,597

As at December 31, 2013, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile applications, was \$8,626,000 (\$7,741,000 as at December 31, 2012). For the year ended December 31, 2013, the Corporation recognized additions to internally generated intangible assets totalling \$1,657,000 (\$1,953,000 in 2012), and wrote off \$772,000 in fully amortized internally generated intangible assets (nil in 2012).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

16. LICENCES AND OTHER INTANGIBLE ASSETS (continued)

	Broadcasting licences ¹	Software, websites and mobile applications	Other intangible assets ¹	Projects under development	Total
Accumulated amortization and impairment:					
Balance as at December 31, 2011	\$ —	\$ 23,374	\$ 794	\$ —	\$ 24,168
Amortization	—	5,218	—	—	5,218
Reclassification	—	106	—	—	106
Write-offs and disposals	—	—	(50)	—	(50)
Intangible assets related to SUN News (note 26)	—	(198)	—	—	(198)
Balance as at December 31, 2012	—	28,500	744	—	29,244
Amortization	—	5,754	146	—	5,900
Reclassification	—	12	—	—	12
Write-off and disposals	—	(1,125)	—	—	(1,125)
Balance as at December 31, 2013	\$ —	\$ 33,141	\$ 890	\$ —	\$ 34,031

Net carrying amount:

As at December 31, 2012	\$ 92,570	\$ 18,045	\$ 100	\$ 1,341	\$ 112,056
As at December 31, 2013	92,570	15,891	2,954	1,151	112,566

¹ Intangible assets with indefinite useful lives, including the broadcasting licences assigned to the Television group of CGU, a magazine operating licence and mastheads, are not amortized.

² The net change in additions to intangible assets funded by accounts payable and accrued liabilities, consisting primarily of software, amounted to \$175,000 for the year ended December 31, 2013 (-\$121,000 for the year ended December 31, 2012).

As at December 31, 2013, the accumulated amortization and impairment of internally generated intangible assets, consisting primarily of software, websites and mobile applications, amounted to \$5,393,000 (\$4,043,000 as at December 31, 2012). For the year ended December 31, 2013, the Corporation recognized an amortization expense arising from internally generated intangible assets of \$2,122,000 (\$1,892,000 in 2012).

As at December 31, 2013, internally generated intangible assets had a net carrying amount of \$3,233,000 (\$3,698,000 as at December 31, 2012).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

17. GOODWILL

Goodwill as at December 31, 2013 and 2012 is detailed as follows:

	Note	2013	2012
Cost	9	\$ 155,572	\$ 150,817
Accumulated amortization and impairment	7	111,036	111,036
Net carrying amount		\$ 44,536	\$ 39,781

As at December 31, 2013, the carrying amount of goodwill allocated to the Television segment group of CGU was \$3,039,000 and the \$41,497,000 balance was allocated to the Publishing segment group of CGU (\$2,539,000 and \$37,242,000 respectively as at December 31, 2012).

Recoverable amounts

The recoverable amounts of CGUs were determined based on value in use with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate value in use using future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific market and industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets for each CGU. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed:

Group of CGUs	2013		2012	
	Pre-tax discount rate (WACC)	Perpetual growth rate	Pre-tax discount rate (WACC)	Perpetual growth rate
Television ¹	11.3 %	1.0 %	11.3 %	1.0 %
Publishing	16.5 %	1.0 %	16.3 %	1.0 %

¹ As allowed under IAS 36, *Impairment of assets*, the recoverable amount calculated in the annual impairment test in 2012 was used in the test performed in 2013 for this group of CGU. Accordingly, the pre-tax discount rate and the perpetual growth rate are the same for 2013 and 2012.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

17. GOODWILL (continued)

Sensitivity of recoverable amounts

The following table presents, for each group of CGUs, the change in the pre-tax discount rate or in the perpetual growth rate used in the most recently performed test that would have been required for the recoverable amount to equal the carrying amount of the CGU as of the most recent impairment test in 2013:

Group of CGUs	Incremental increase in pre-tax discount rate (WACC)	Incremental decrease in perpetual growth rate
Television ¹	4.1 %	5.0 %
Publishing	1.3 %	1.8 %

¹ As the recoverable amount calculated for this group of CGU in the annual impairment test in 2012 was used for the test performed in 2013, sensitivity tests are the same than the ones disclosed in 2012.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	2013	2012
Accounts payable and accrued liabilities		\$ 44,412	\$ 43,593
Employee salaries and benefits		20,693	22,610
Accounts payable to companies under common control and affiliated companies		18,999	20,884
Stock-based compensation	22 and 23	1,481	1,519
Interest payable		329	293
Other		46	193
		\$ 85,960	\$ 89,092

19. PROVISIONS AND CONTINGENCIES

	Operational restructuring costs	Contingencies, legal disputes and other	Total
Balance as at December 31, 2012	\$ 160	\$ 702	\$ 862
Net change in income	2,390	(436)	1,954
Payments	(2,166)	(5)	(2,171)
Balance as at December 31, 2013	\$ 384	\$ 261	\$ 645

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

19. PROVISIONS AND CONTINGENCIES (continued)

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

The provisions for the restructuring of operations mainly comprise termination benefits related to the elimination of positions in the Television and Publishing segments.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position.

Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

20. LONG-TERM DEBT

	2013	2012
Term loan ⁽ⁱ⁾	\$ 75,000	\$ 75,000
Financing costs, net of accumulated amortization	(360)	(562)
	74,640	74,438
Less short-term debt	(74,640)	–
Long-term debt	\$ –	\$ 74,438

⁽ⁱ⁾ The bank debt of the Corporation comprises a term loan maturing and repayable in full on December 11, 2014 in the amount of \$75,000,000. The term loan bears interest at an annual rate of 5.54%, payable on June 15 and December 15 of each year. The Corporation also has a \$100,000,000 revolving credit facility which was renewed for five years on February 24, 2012. It bears interest at floating rates based on the bankers' acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating income before interest, income taxes, amortization and other items. As at December 31, 2013 and 2012, there were no drawings on the revolving credit facility.

The costs associated with the renewal of the revolving credit facility totalled \$391,000 and were recorded as financing costs in reduction of long-term debt.

Under its credit agreements, the Corporation is subject to certain covenants including maintenance of certain financial ratios. As at December 31, 2013, the Corporation was in compliance with the terms of its credit agreements.

As at December 31, 2013 and 2012, the Corporation had outstanding letters of credit amounting to \$425,000.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

21. OTHER LIABILITIES

	Note	2013	2012 (restated, note 1(b))
Defined benefit plans	25	\$ 1,706	\$ 36,526
Broadcast rights payable		1,470	1,303
Stock-based compensation ¹	23	770	633
Other		28	37
		\$ 3,974	\$ 38,499

¹ The current portion of stock-based compensation is included in accounts payable and accrued liabilities.

22. CAPITAL STOCK

Authorized

An unlimited number of Class A common shares, participating, voting, without par value.

An unlimited number of Class B shares, participating, non-voting, without par value.

An unlimited number of preferred shares, non-participating, non-voting, with a par value of \$10 each, issuable in series.

Issued and paid up as at December 31, 2013 and 2012:

4,320,000 class A common shares	\$ 72
19,450,906 class B shares	98,575
	\$ 98,647

Class B stock option plan for officers

Under the plan, option grants and their related terms and conditions are determined by the Corporation's Compensation Committee. However, the purchase price of each Class B share under an option cannot be less than the closing market price the day before the option is granted. In addition, the option term cannot exceed ten years. The number of Class B shares issuable over the term of the Class B stock option plan for officers is 2,200,000.

When exercising options, holders may elect to receive from the Corporation a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the exercise price of the shares under option or, subject to certain terms and conditions, subscribe for Class B shares of the Corporation at the exercise price. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

22. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

Options granted prior to January 2006 normally vest equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date. Since January 2006, except in certain circumstances and unless the Compensation Committee decides otherwise at the time of grant, options are exercisable over a five-year period as follows:

- (i) Equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;
- (ii) Equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;
- (iii) Equally over three years, with the first 33 1/3% portion vesting as of the third anniversary of the grant date.

In fiscal 2013 and 2012, no new options were granted by the Corporation under the plan.

The Corporation recognized an \$81,000 compensation expense reversal in connection with this plan for the year ended December 31, 2013 (\$159,000 compensation expense reversal in 2012).

The following table gives details on changes to outstanding options for the years ended December 31, 2013 and 2012:

	2013		2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of year	819,421	\$ 16.34	833,610	\$ 16.35
Cancelled	(128,345)	15.29	(14,189)	16.84
Balance at end of year	691,076	\$ 16.54	819,421	\$ 16.34
Vested options at end of year	691,076	\$ 16.54	819,421	\$ 16.34

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

22. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

The following table gives summary information on outstanding options as at December 31, 2013:

Range of exercise price	Number	Outstanding options		Vested options	
		Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$14.50 to \$16.40	504,945	3.46	\$ 14.92	504,945	\$ 14.92
\$20.50 to \$21.38	186,131	0.86	20.92	186,131	20.92
\$14.50 to \$21.38	691,076	2.76	\$ 16.54	691,076	\$ 16.54

The fair value of stock-based awards under the stock option plans of the Corporation was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans of the Corporation as at December 31, 2013 and 2012:

	2013		2012	
Risk-free interest rate	1.05	%	1.13	%
Expected volatility	32.56	%	37.05	%
Expected remaining life	1.0	year	1.4	year

The expected volatility is based on the historical volatility of the underlying share price of the Corporation's class B shares for a period equivalent to the expected remaining life of the options. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation.

As at December 31, 2013 and 2012, the intrinsic value of liabilities for which options have vested was nil.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

22. CAPITAL STOCK (continued)

Earnings per share

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	2013	2012 (restated, note 1(b))
Net income (loss) attributable to shareholders	\$ 15,746,000	\$ (6,464,000)
Weighted average number of basic and diluted shares outstanding	23,770,906	23,770,906
Basic and diluted earnings (loss) per share attributable to shareholders (in dollars)	\$ 0.66	\$ (0.27)

The diluted earnings (loss) per share calculation does not take into consideration the potential dilutive effect of stock options of the Corporation since their impact is anti-dilutive.

23. QUEBECOR MEDIA INC. STOCK OPTION PLAN

Under the stock option plan established by Quebecor Media, options have been granted to the senior executives of the Corporation. Each option may be exercised within ten years of the grant date at an exercise price no lower than the fair value of the common shares of Quebecor Media at the grant date, as determined by Quebecor Media's Board of Directors (should the common shares of Quebecor Media not be listed on a recognized stock exchange at the grant date), or the weighted average price over the last five trading days preceding the grant date of the common shares of Quebecor Media on the stock exchanges where such shares are listed. As long as Quebecor Media's common shares are not listed on a recognized stock exchange, vested options may be exercised only during the following periods: March 1–March 30, June 1–June 29, September 1–September 29 and December 1–December 30 of each year. Moreover, on an option's exercise date, option holders may exercise their right, at their discretion, to: (i) receive a cash amount equal to the appreciation in value of the vested option's underlying shares; or (ii) subject to certain stated conditions, purchase common shares of Quebecor Media.

Except in specific circumstances, and unless the Compensation Committee of Quebecor Media decides otherwise, options vest over a five-year period using one of the following methods, as determined by the Committee at the grant date: (i) equally over five years, with the initial 20% portion vesting on the first anniversary of the grant date; (ii) equally over four years, with the initial 25% portion vesting on the second anniversary of the grant date; and (iii) equally over three years with the initial 33 1/3% portion vesting on the third anniversary of the grant date.

The Corporation recognized an \$817,000 compensation expense under the plan for the year ended December 31, 2013 (\$482,000 in 2012).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

23. QUEBECOR MEDIA INC. STOCK OPTION PLAN (continued)

The following table gives details on changes as at December 31, 2013 and 2012 concerning the stock options granted to the senior executives of the Corporation:

	2013		2012	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of year	213,416	\$ 46.55	393,252	\$ 46.66
Granted	207,000	57.64	–	–
Exercised	(41,884)	46.70	(168,836)	46.57
Cancelled	(32,500)	47.68	–	–
Options related to executives transferred to Quebecor Media	(14,625)	46.48	–	–
Options related to SUN News' corporate executives (note 26)	–	–	(11,000)	50.10
Balance at end of year	331,407	\$ 53.35	213,416	\$ 46.55
Vested options at end of year	46,407	\$ 45.76	49,291	\$ 45.99

During the year ended December 31, 2013, 41,884 Quebecor Media stock options were issued for a cash consideration of \$471,000 (168,836 stock options issued for \$986,000 in 2012).

The following table gives summary information on outstanding options as at December 31, 2013:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$31.92 to \$47.29	124,407	5.77	\$ 46.21	46,407	\$ 45.76
\$57.64	207,000	9.61	57.64	–	–
\$31.92 to \$57.64	331,407	8.16	\$ 53.35	46,407	\$ 45.76

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

23. QUEBECOR MEDIA INC. STOCK OPTION PLAN (continued)

The fair value of stock-based awards under the Quebecor Media stock option plan was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the Quebecor Media stock option plan as at December 31, 2013 and 2012:

	2013	2012
Risk-free interest rate	1.77 %	1.27 %
Dividend yield	1.56 %	1.71 %
Expected volatility	23.62 %	23.24 %
Expected remaining life	4.1 years	2.8 years

Since the common shares of Quebecor Media are not publicly traded on a stock exchange, as of December 31, 2013, expected volatility is derived from the implied volatility of the shares of Quebecor Media's parent corporation. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

As at December 31, 2013, the intrinsic value of liabilities for which options have vested was \$796,000 (\$549,000 as at December 31, 2012).

24. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included \$10,590,000 (\$12,134,000 in 2012) in government assistance for local programming in small markets and for producing and publishing Canadian content in magazines.

Tax credits and government assistance amounting to \$2,007,000 (\$2,837,000 in 2012) were recorded as a reduction of program production expenses and film marketing costs included in operating expenses.

As at December 31, 2013, advances received under government assistance amounted to \$360,000 (\$411,000 in 2012) and were reported in distribution rights payable under "Broadcast and distribution rights payable." Deferred revenues included \$1,987,000 (\$1,550,000 in 2012) in financial assistance for the creation and publishing of Canadian content in magazines.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS

Pension plans provided to the management and unionized employees of the Corporation include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. The Corporation offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed supplemental post-retirement plan for which the benefits offset the tax limit effect. Certain TVA Publications Inc. (TVA Publications) employees are provided with a career-earnings pension plan indexed before and after retirement. The Corporation also offers postretirement benefits to eligible retired employees. The Corporation's funding policy for its funded pension plans is to maintain its contributions at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rate used to value the obligation, longevity of plan participants and future inflation. Under the Corporation's rules of governance, oversight of pension plan policies and risk management are performed at different levels through the pension committees, the Corporation's management and the Audit Committee. The benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status and the Corporation's funding requirements.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables provide information on the defined benefit plans and show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2013 and 2012:

	Pension benefits		Postretirement benefits	
	2013	2012	2013	2012
Change in benefit obligations				
Benefit obligations at beginning of year	\$ 224,788	\$ 202,864	\$ 1,723	\$ 1,736
Service costs	5,863	4,945	3	3
Interest costs	10,104	9,738	60	66
Participant contributions	3,135	3,150	–	–
Actuarial losses (gains) arising from:				
Demographic assumptions	6,798	–	84	–
Financial assumptions	(23,409)	12,121	(44)	44
Participant experience	(2,929)	461	–	–
Benefits paid	(11,360)	(8,491)	(120)	(126)
Benefit obligations at end of year	\$ 212,990	\$ 224,788	\$ 1,706	\$ 1,723
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 189,985	\$ 166,993	\$ –	\$ –
Actual return on plan assets	28,242	16,736	–	–
Employer contributions	16,138	11,597	120	126
Participant contributions	3,135	3,150	–	–
Benefits paid	(11,360)	(8,491)	(120)	(126)
Fair value of plan assets at end of year	\$ 226,140	\$ 189,985	\$ –	\$ –

As at December 31, 2013, the weighted average duration of defined benefit obligation was 15.4 years (16.6 years in 2012). The Corporation expects future benefit payments of \$11,236,000 in 2014.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The Corporation's investment strategy for plan assets takes into consideration a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2013		2012
Equity securities:			
Canadian	26.8 %		26.5 %
Foreign	33.8		31.9
Debt securities	36.7		39.0
Other	2.7		2.6
	100.0 %		100.0 %

The fair value of plan assets is principally based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulation and collective bargaining agreements. When a defined benefit asset is created, it can not exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. Where there is a minimum funding requirement, this could also limit the amount recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits		Postretirement benefits	
	2013	2012	2013	2012
Reconciliation of funded status				
Benefit obligations	\$ (212,990)	\$ (224,788)	\$ (1,706)	\$ (1,723)
Fair value of plan assets	226,140	189,985	-	-
Plan surplus (deficit)	\$ 13,150	\$ (34,803)	\$ (1,706)	\$ (1,723)
Asset limit	(4,912)	-	-	-
Net amount recognized¹	\$ 8,238	\$ (34,803)	\$ (1,706)	\$ (1,723)

¹ The net amount recognized for 2013 consists of an asset of \$8,238,000 (nil in 2012) under "Defined benefit plan asset" and of a liability of \$1,706,000 (\$36,526,000 in 2012) under "Other liabilities" (note 21).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2013	2012 (restated, note 1(b))	2013	2012 (restated, note 1(b))
Actuarial gain (loss) on benefit obligations	\$ 19,540	\$ (12,582)	\$ (45)	\$ (40)
Actual return on plan assets, excluding interest income calculated as part of the interest on net defined benefit asset or liability	20,721	9,485	—	—
Asset limit	(4,912)	—	—	—
Re-measurements recorded in other comprehensive income (loss)	\$ 35,349	\$ (3,097)	\$ (45)	\$ (40)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2013	2012 (restated, note 1(b))	2013	2012 (restated, note 1(b))
Employee costs:				
Service costs	\$ 5,863	\$ 4,945	\$ 3	\$ 3
Other	964	702	—	—
Interest on net defined benefit asset or liability	1,621	1,784	60	66
Net benefit costs	\$ 8,448	\$ 7,431	\$ 63	\$ 69

The expense related to defined contribution pension plans amounted to \$3,076,000 in 2013 (\$3,488,000 in 2012).

The expected employer contributions to the Corporation's defined benefit pension plans and postretirement benefit plans will be \$11,945,000 in 2014 based on the most recent financial actuarial reports filed (contributions of \$16,258,000 were paid in 2013).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as at December 31, 2013 and 2012 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2013	2012	2013	2012
Benefit obligations				
Rates, end of year:				
Discount rate	4.90 %	4.40 %	4.90 %	4.40 %
Rate of compensation increase	3.00 – 3.25	3.25 – 3.50	3.00 – 3.25	3.25 – 3.50
Current periodic costs				
Rates, end of year:				
Discount rate	4.40 %	4.75 %	4.40 %	4.75 %
Rate of compensation increase	3.25 – 3.50	3.25 – 3.50	3.25 – 3.50	3.25 – 3.50

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.6% at the end of 2013. These costs, as per estimate, are expected to decrease gradually over the next 13 years to 5.0% and to remain at that level thereafter.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Sensitivity analysis

A decrease of 10 basis point in the discount rate would have had the following impacts, before income taxes, for the year ended December 31, 2013:

Increase (decrease)	Pension benefits				Postretirement benefits	
	Asset in balance sheet	Income	Other comprehen- sive income	Obligation in balance sheet	Income	Other comprehen- sive income
Discount rate	\$ (3,290)	\$ (326)	\$ (3,290)	\$ 13	\$ -	\$ (13)

There are limitations to the above sensitivity analysis since it only considers the impacts of a decrease of 10 basis point in the discount rate assumption (at the beginning of the year having an impact on income and at the end of the year having an impact on comprehensive income), without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to these assumptions would not have a significant impact on the consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

Compensation of key officers

The key officers are members of the Board of Directors of the Corporation and senior executives. Their compensation is as follows:

	2013	2012
Salaries and short-term benefits	\$ 3,431	\$ 4,030
Stock-based compensation	1,007	291
Other long-term benefits	592	1,211
	\$ 5,030	\$ 5,532

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

26. RELATED PARTY TRANSACTIONS (continued)

Revenues and operating expenses

For the year ended December 31, 2013, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

- The Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to companies under common control and affiliated companies in the total amount of \$76,836,000 (\$77,747,000 in 2012).
- The Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with companies under common control and affiliated companies totalling \$34,667,000 (\$32,072,000 in 2012).
- The Corporation also recorded management fees paid to the parent corporation in the amount of \$4,320,000 (\$4,320,000 in 2012).

Other transactions

In fiscal 2010, the Corporation and Sun Media Corporation, a company under common control of the parent corporation, Quebecor Media, established the new general partnership SUN News. The Corporation then held a 51% interest and Sun Media Corporation a 49% interest. The results of this partnership were fully consolidated in the Corporation's results and Sun Media Corporation's interest was recorded under "Non-controlling interest" in the consolidated statement of income. On June 30, 2012, the Corporation sold a 2% interest in SUN News to Sun Media Corporation for a \$765,000 consideration. The Corporation now holds a 49% interest in SUN News and Sun Media Corporation owns 51%. The difference between the amount paid and the book value of the interest yielded a \$581,000 gain, which was accounted for in contributed surplus. Following the loss of control, SUN News' results are no longer consolidated as of July 1, 2012 and the investment in SUN News is now accounted for using the equity method.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

26. RELATED PARTY TRANSACTIONS (continued)

Other transactions (continued)

The following table shows details of the net assets of SUN News, which were reclassified as an investment using the equity method at the date of deconsolidation:

	June 30, 2012
Current assets	
Cash	\$ 430
Accounts receivable and other current assets	2,792
	3,222
Non-current assets	
Property, plant and equipment	8,873
Intangible assets	650
	12,745
Current liabilities	
Accounts payable and accrued liabilities	3,555
Net assets	9,190
Sun Media Corporation interest	(4,687)
Investment using equity method	\$ 4,503

In fiscal 2013, a total capital contribution of \$10,600,000 (\$15,250,000 in 2012) was made by the partners, of which \$5,194,000 was made by the Corporation (\$7,617,000 in 2012).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

27. COMMITMENTS AND GUARANTEES

(a) Leases and purchasing agreements

The Corporation has commitments under operating leases, mainly for premises and equipment, and under acquisition contracts for services, distribution and broadcast rights, property, plant and equipment and intangible assets, calling for payments totalling \$911,297,000, including \$8,194,000 with related companies. The leases have various terms, indexing clauses, purchase options and renewal rights. Minimum payments for future years are as follows:

	Leases	Broadcast and distribution rights	Other
2014	\$ 1,419	\$ 69,382	\$ 10,863
2015 to 2018	4,372	300,420	10,530
2019 and thereafter	2,939	510,923	449

Expenses related to the operating leases of the Corporation and its subsidiaries in the amount of \$1,946,000 in 2013 (\$2,402,000 in 2012) were recognized as operating expenses in the consolidated statements of income.

Quebecor Media has reached a 12-year agreement with Rogers Communications for Canadian French-language broadcast rights to National Hockey League games. Pending finalization of agreements between Quebecor Media and TVA Group, total commitments related to this contract have been included in the Corporation's commitments.

(b) Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. As at December 31, 2013, the maximum liability in respect of these guarantees totalled approximately \$337,000 and the Corporation has recognized no amount in the consolidated balance sheet in relation to these guarantees. In previous years, the Corporation has made no payments in respect of these guarantees.

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments. At December 31, 2013, the liability risk under specific commitments totalled approximately \$4,700,000. The Corporation has recorded no liability in the consolidated balance sheet in respect of these agreements, as the Corporation has reasonable confidence that it will suffer no negative impact from their implementation or resolution.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's risk management policies are established to identify and analyze the Corporation's risk exposures, set appropriate risk limits and controls, and monitor risks and adherence to limits. The risk management policies are reviewed, when necessary, to reflect changes in market conditions and the Corporation's operations.

As the Corporation and its subsidiaries use financial instruments, they are exposed to credit risk, liquidity risk and market risk related to foreign exchange and interest rate fluctuations.

(a) Fair value of financial instruments

In accordance with IFRS 7, *Financial Instruments: Disclosures*, the Corporation has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its financial instruments accounted for at fair value in the consolidated balance sheet:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt is estimated based on a valuation model using Level 2 inputs. The fair value is based on discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The carrying amount and fair value of long-term debt as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Term loan	\$ 75,000	\$ 76,800	\$ 75,000	\$ 78,400

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk management

Credit risk is the risk of the Corporation incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2013, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its clients. The Corporation has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2013, 5.61% of trade receivables had been outstanding for more than 120 days after the billing date (5.57% as at December 31, 2012). In addition, as at December 31, 2013, the allowance for doubtful accounts was \$1,086,000 (\$1,100,000 as at December 31, 2012).

The table below shows the variance in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

	2013	2012 (restated, note 1(b))
Balance as at beginning of year	\$ 1,100	\$ 1,183
Change to income	486	616
Utilization	(500)	(660)
Allowance for doubtful accounts related to SUN News (note 26)	-	(39)
Balance as at end of year	\$ 1,086	\$ 1,100

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will be unable to meet financial obligations as they fall due or will be required to meet them at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from continuing operations and available sources of financing to meet future cash requirements for long-term investments, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions, and to meet their commitments and guarantees.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk management (continued)

As at December 31, 2013, the obligations and maturities of financial liabilities of the Corporation are as follows:

	Total	Less than 1 year	1-3 years	3-5 years
Accounts payable and accrued liabilities	\$ 87,742	\$ 87,742	\$ –	\$ –
Broadcast and distribution rights payable	18,774	17,304	1,470	–
Long-term debt	75,000	75,000	–	–
Interest payments	5,293	4,505	700	88
Total	\$ 186,809	\$ 184,551	\$ 2,170	\$ 88

(d) Market risk

Market risk is the risk that changes in market prices due to fluctuations in foreign exchange rates and interest rates will affect the Corporation's revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposure within acceptable parameters.

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses due to the low volume of transactions made in currencies other than the Canadian dollar. The majority of these transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, for capital expenditures and for certain foreign denominated sales. In light of the low volume of foreign currency transactions, the Corporation has determined foreign exchange hedging to be unwarranted. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates. A 1% increase or decrease in the exchange rate between the Canadian dollar and its U.S. counterpart would have an immaterial impact on net income.

Interest rate risk

The Corporation is exposed to interest rate risk on its revolving credit facility. As at December 31, 2013 and 2012, the Corporation's long-term debt consisted entirely of fixed-rate debt, which significantly limits the interest rate exposure.

An increase (a decrease) of 100 basis points at year-end 2013 in the Canadian bankers' acceptance rate would have had no impact since the Corporation's only floating-rate credit facility was unused.

The Corporation regularly reviews its position to ensure that its exposure to these risks has not changed.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management

The Corporation's primary objectives in managing capital are to:

- preserve the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- maintain an optimal capital base in order to meet the capital requirements of its various operating segments, including growth opportunities and maintaining investor and creditor confidence.

The Corporation manages its capital structure in accordance with the characteristics of its segments' underlying asset risks and applicable requirements, if any. The Corporation manages its capital structure by issuing new debt or repaying existing debt with cash generated internally, distributing amounts to shareholders through dividends or share redemptions or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure consists of shareholders' equity and long-term debt maturing in 2014, less cash.

The capital structure as at December 31, 2013 and 2012 is as follows:

	2013	2012
Long-term debt	\$ 75,000	\$ 75,000
Cash	(7,717)	(10,619)
Net liabilities	67,283	64,381
Equity	\$ 308,059	\$ 266,545

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2013, the Corporation was in compliance with all the terms of its credit agreements.

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

29. SEGMENTED INFORMATION

The Corporation's operations consist of the following segments:

- The **Television segment** includes the operations of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Accès Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the home and online shopping services of the TVA Boutiques division up to the second quarter of 2013, and the distribution of audiovisual products by the TVA Films division.
- The **Publishing segment** includes the operations of TVA Publications Inc. and Les Publications Charron & Cie Inc. – which publish French-language magazines in various fields such as the arts, entertainment, television, fashion and decoration, and market digital products associated with the various magazine brands – and the operations of the TVA Studio division, which specializes in custom publishing, commercial print production and premedia services.

The intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues and expenses.

The reportable segments determined by the Corporation's management are strategic operating units that provide various goods and services. They are managed separately because, among other reasons, each segment requires different marketing strategies.

The segments' accounting policies are the same as those used by the Corporation as a whole (see note 1).

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

29. SEGMENTED INFORMATION (continued)

	2013			
	Television	Publishing	Intersegment items	Total
Revenues	\$ 380,064	\$ 67,909	\$ (3,157)	\$ 444,816
Purchases of goods and services	212,995	43,647	(3,157)	253,485
Employee costs	114,785	15,976	—	130,761
Adjusted operating income ¹	52,284	8,286	—	60,570
Amortization of property, plant and equipment and intangible assets				21,430
Financial expenses				6,265
Operational restructuring costs, impairment of assets and other costs				4,865
Income before tax expense and share of loss of associated corporations				\$ 28,010
Additions to property, plant and equipment	\$ 16,071	\$ 174	\$ —	\$ 16,245
Additions to intangible assets	\$ 2,506	\$ 497	\$ —	\$ 3,003
Total assets	\$ 458,135	\$ 63,916	\$ —	\$ 522,051

TVA GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2013 and 2012

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

29. SEGMENTED INFORMATION (continued)

					2012 (restated, note 1(b))
	Television	Publishing	Intersegment items	Total	
Revenues	\$ 389,856	\$ 67,357	\$ (4,066)	\$ 453,147	
Purchases of goods and services	220,934	45,621	(4,066)	262,489	
Employee costs	131,130	17,046	–	148,176	
Adjusted operating income ¹	37,792	4,690	–	42,482	
Amortization of property, plant and equipment and intangible assets				20,342	
Financial expenses				7,322	
Operational restructuring costs, impairment of assets and other costs				117	
Impairment of goodwill				32,200	
Gain on disposal of investments				(12,881)	
Loss before tax expense and share of loss of associated corporations and joint ventures				\$ (4,618)	
Additions to property, plant and equipment	\$ 19,349	\$ 2,481	\$ –	\$ 21,830	
Additions to intangible assets	\$ 2,462	\$ 803	\$ –	\$ 3,265	
Total assets	\$ 448,529	\$ 53,442	\$ –	\$ 501,971	

¹ The Chief Executive Officer uses adjusted operating income as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted operating income is a non-IFRS measure and is defined as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, impairment of goodwill, gain on disposal of investments, tax expense, share of loss of associated corporations and joint ventures, and net loss attributable to non-controlling interest.