sound business

NEWFOUNDLAND CAPITAL CORPORATION LIMITED

Annual Report 1999

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Corporate Profile

Newfoundland Capital Corporation Limited is a communications company engaged in Radio and Publishing and Printing. The Company operates 14 radio licenses across Canada and publishes 20 community newspapers and magazine publications.

RADIO

Alberta

CFCW	Camrose
MIX96-FM	Edmonton
K-ROCK-FM	Edmonton

Ontario

KIXX-FM	Thunder Bay

New Brunswick

C103-FM	Moncton

Nova Scotia

KIXX	Halifax
Q104-FM	Halifax

Prince Edward Island

CHTN	Charlottetown

Newfoundland and Labrador

CJYQ	St. John's
CKIX-FM	St. John's
CKXX-FM	Corner Brook and Stephenville
CFCB	Corner Brook (33%)
CKXG	Grand Falls-Windsor
CKXD	Gander
CKXB	Musgravetown

PUBLISHING AND PRINTING

Newfoundland and Labrador

Robinson-Blackmore

Nova Scotia

Atlantic Nova/McCurdy Print
Metro Guide Publishing

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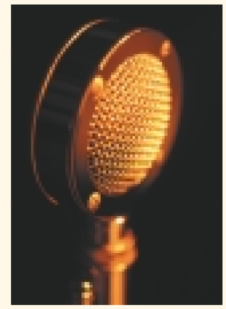
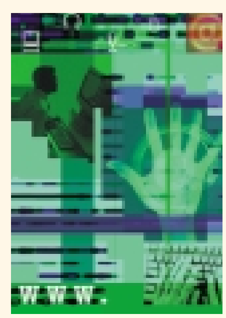
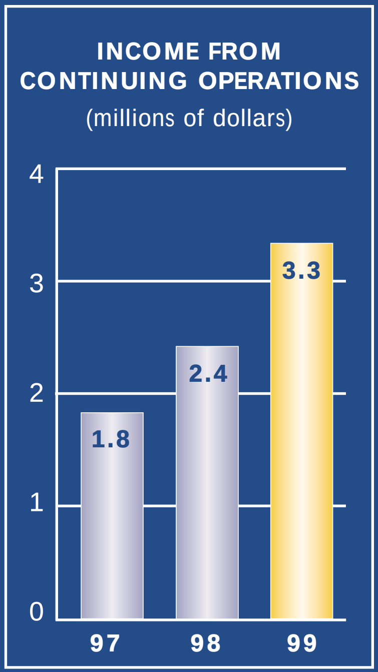


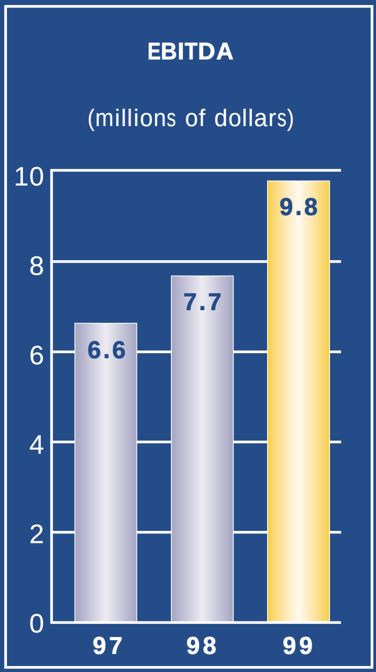


Financial Highlights

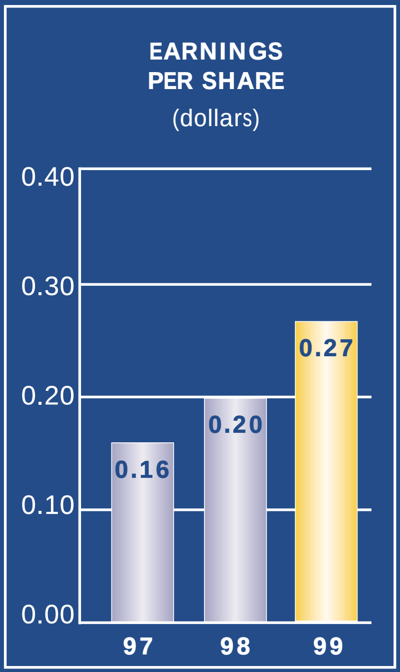
(millions of dollars, except per share information)		1999	1998	1997	1996	1995
Operations						
Revenue from continuing operations	$	**58.3**	51.3	45.8	38.1	37.9
Income (loss) from continuing operations		**3.3**	2.4	1.8	1.2	(0.3)
Net income		**3.3**	36.3	43.6	4.3	3.8
Cash flow from continuing operations		**7.1**	5.2	5.7	4.9	2.3
Financial position						
Total assets	$	**100.5**	111.7	158.7	146.7	152.2
Long-term debt		**0.9**	0.5	0.7	36.7	43.0
Shareholders' equity		**70.1**	70.0	91.0	49.5	45.7
Per share information						
Income (loss) from continuing operations	$	**0.27**	0.20	0.16	0.10	(0.03)
Net income		**0.27**	2.95	3.88	0.37	0.33
Cash flow from continuing operations		**0.58**	0.42	0.50	0.42	0.20
Dividends		**0.10**	5.00	0.10	—	—
Book value		**5.77**	5.64	7.93	4.36	3.96
Share price, NCC.A (closing)		**10.00**	8.00	8.65	3.10	3.50



Earnings growth continued



EBITDA improved by $2.1 million



Earnings per share from continuing operations increased 35% over 1998

REPORT TO SHAREHOLDERS

1999 was a Sound year. We continue to strengthen the Company by improving our existing operations and making carefully selected acquisitions.

We have looked at several radio properties during the year, but the asking prices in every instance have been beyond what we were prepared to pay. Instead, we have adopted a strategy to apply for new licenses in the hope of gaining access to major Canadian radio markets.

Our Radio operations will be our prime focus, but we will continue to expand our Publishing and Printing Division as well. Our plan seems to be working well and we are quite optimistic about our future prospects.

Income from continuing operations improved by 37% in 1999, reaching $3,318,000 ($0.27 per share), compared to $2,420,000 ($0.20 per share) in 1998. This improvement was the result of 14% revenue growth and improved margins. Revenue reached $58,317,000 during the year, up from $51,314,000 in 1998. Cash operating margins in Radio improved to 29% from 28% while margins in Publishing and Printing were 13%, up from 10% last year.

Cash flow from continuing operations reached $7,075,000 ($0.58 per share), a 37% improvement over the $5,163,000 ($0.42 per share) achieved last year. Operating cash flow was $9,953,000, an increase of 27% over the $7,808,000 the year before.

Radio

Radio revenue grew by 13% over the 1998 level. Much of this growth was driven by the completion of our acquisition of K-ROCK-FM, in Edmonton, which closed in the first quarter of 1999. Revenue was ahead of last year in all markets except Moncton.

The momentum will continue in 2000. We received CRTC approval to convert our AM stations in Grand Falls-Windsor and Gander to the FM frequency. In the second quarter of 2000, we hope to receive CRTC approval to acquire the VOCM group of nine stations in Newfoundland. This acquisition will convert a region that has constrained profitability in our Radio Division into one of the strongest producers. Last year, we applied for new FM licenses in Vancouver, Toronto (40% ownership), Hamilton and Moncton. Since the New Year we have filed an application for Calgary. Success with any of these applications will ensure strong revenue and cash flow growth in the years ahead.

As part of our corporate development strategy, we entered into a partnership with Aboriginal Peoples Radio Network (APRN). This is a non-profit organization whose objective is to create a national radio network representative of the Canadian aboriginal peoples community. To the extent the CRTC approves any of our new license applications, NCC will provide funding to APRN to assist it in achieving its goals. We have also agreed to provide administrative, technical and broadcasting support. We are proud of this partnership which will assist in meeting the objectives of the Broadcasting Act and we believe it is the first such initiative of its kind in Canada.

Late in December 1999, the Company announced it had acquired shares and options of Iceberg Media.com Inc., an exciting Internet broadcasting operation. Iceberg positions NCC to be on the leading edge of technology and should present further opportunities for growth. It is likely that we are seeing the emergence of a whole new industry – “the new media” – and Iceberg will provide NCC with the platform to become a significant participant.

Publishing and Printing

Our Newfoundland Publishing and Printing operation, Robinson-Blackmore, reported the best results in its history. We successfully relaunched our St. John’s newspaper and expect to gain significant market share in the province’s largest city.

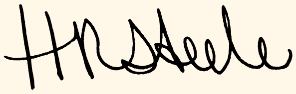
As the dominant printer in Newfoundland, further growth in this business required looking to the mainland. The fourth quarter acquisition of Atlantic Nova Print (Halifax) and McCurdy Printing (Dartmouth), followed by the purchase of T.K. Printing (Moncton) in January 2000, have positioned NCC for future growth throughout Atlantic Canada and beyond.

Outlook

Operationally, our business has never been more sound. The new millennium brings promise of new markets and tremendous opportunities. We expect some success in obtaining new radio licenses in 2000 but, regardless, we should obtain strong growth in existing properties. We will continue to make strategic acquisitions when the opportunities arise.

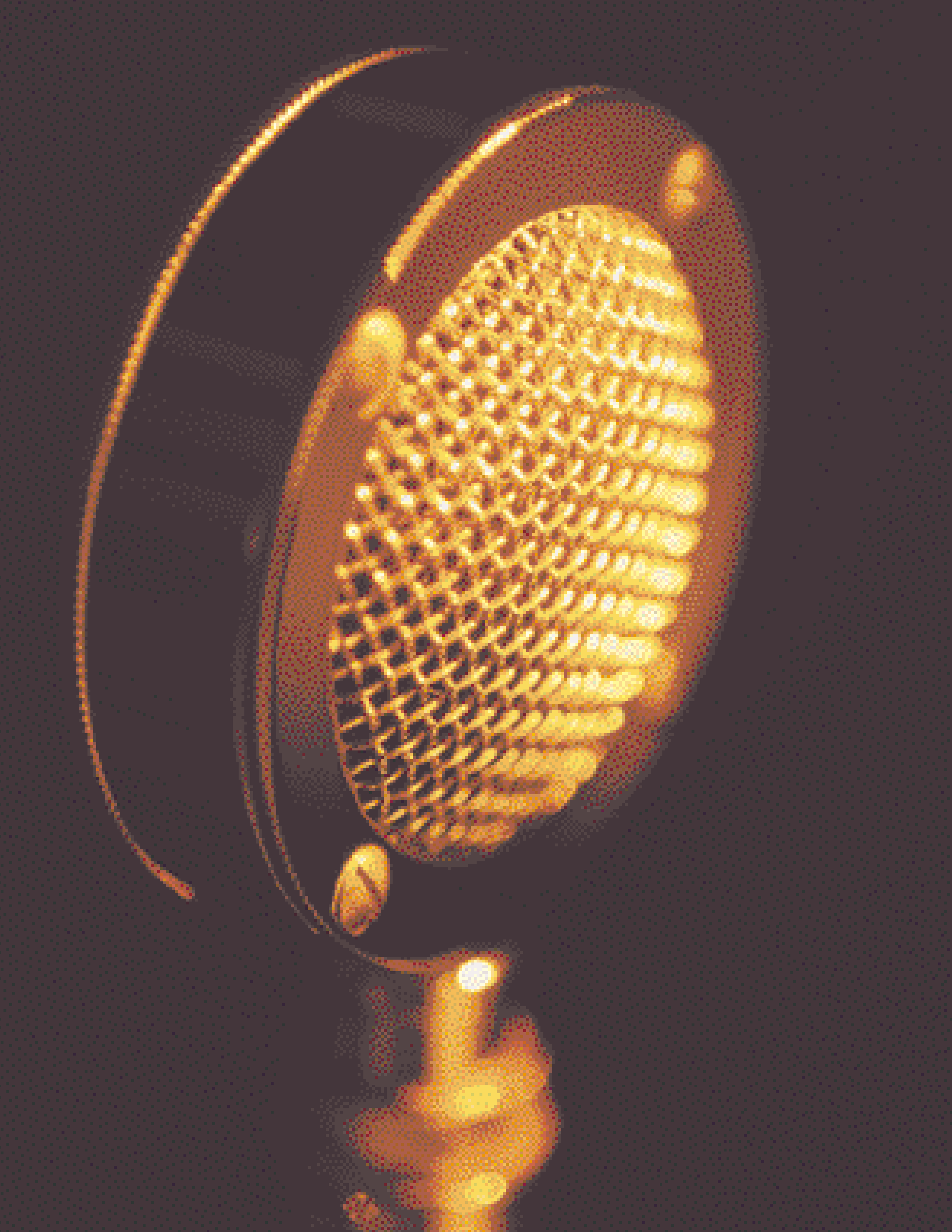
Our People

We have just completed our first full year without Transportation. It's nice. Our employees have adapted well to the change and are to be congratulated for a successful year. There is more change to come and we are confident that we have the right people to succeed.



Harry R. Steele (signed)
Chairman and Chief Executive Officer

March 1, 2000



Consolidated Operating Results

The final year of the twentieth century, it so happened, was the first full year of operations for Newfoundland Capital Corporation as a pure communications company. The divestiture of the Transportation Group and certain underperforming publishing operations during the period from 1996 through 1998 left a sound foundation of radio and publishing and printing operations on which to build.

Income from continuing operations increased by 37% to $3.3 million ($0.27 per share) in 1999 from $2.4 million ($0.20 per share) in 1998. Cash flow from continuing operations rose by the same percentage, reaching $7.1 million ($0.58 per share) in 1999 compared to $5.2 million ($0.42 per share) in the previous year.

Revenue from continuing operations grew by 14% to $58.3 million in 1999 from the 1998 level of $51.3 million. Operating expenses increased to $49.4 million from $43.4 million over the same period. As a percentage of revenue, operating expenses were stable at 85%.

Other income was $0.9 million in 1999, primarily relating to gains on the sale of short-term investments. This compares to other expenses of $0.2 million for the prior year.

Depreciation expense of $2.1 million in 1999 was 27% higher than the expense of $1.6 million in 1998 due to additional property and equipment acquired through business acquisitions and organic growth. Amortization expense increased to a level of $1.0 million in 1999 compared to $0.7 million in 1998, primarily due to licenses and goodwill that arose from business acquisitions.

The 31% increase in income tax expense from $2.3 million in 1998 to $3.0 million in 1999 was consistent with the improvement in pre-tax earnings.

Net income for 1999 was $3.3 million ($0.27 per share). The 1998 figure was $36.3 million ($2.95 per share) and included the results of discontinued operations and the gains on their dispositions totaling $33.9 million ($2.75 per share).

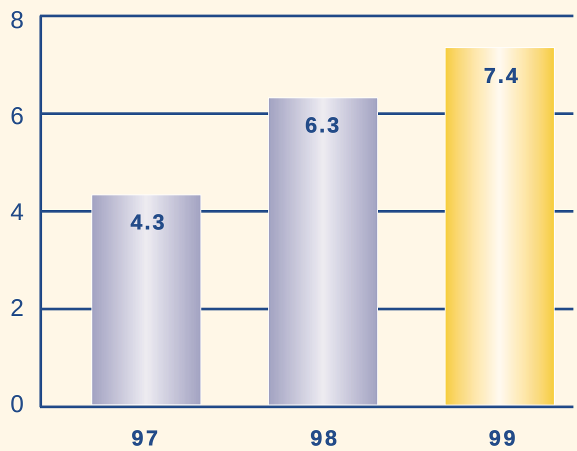
Radio

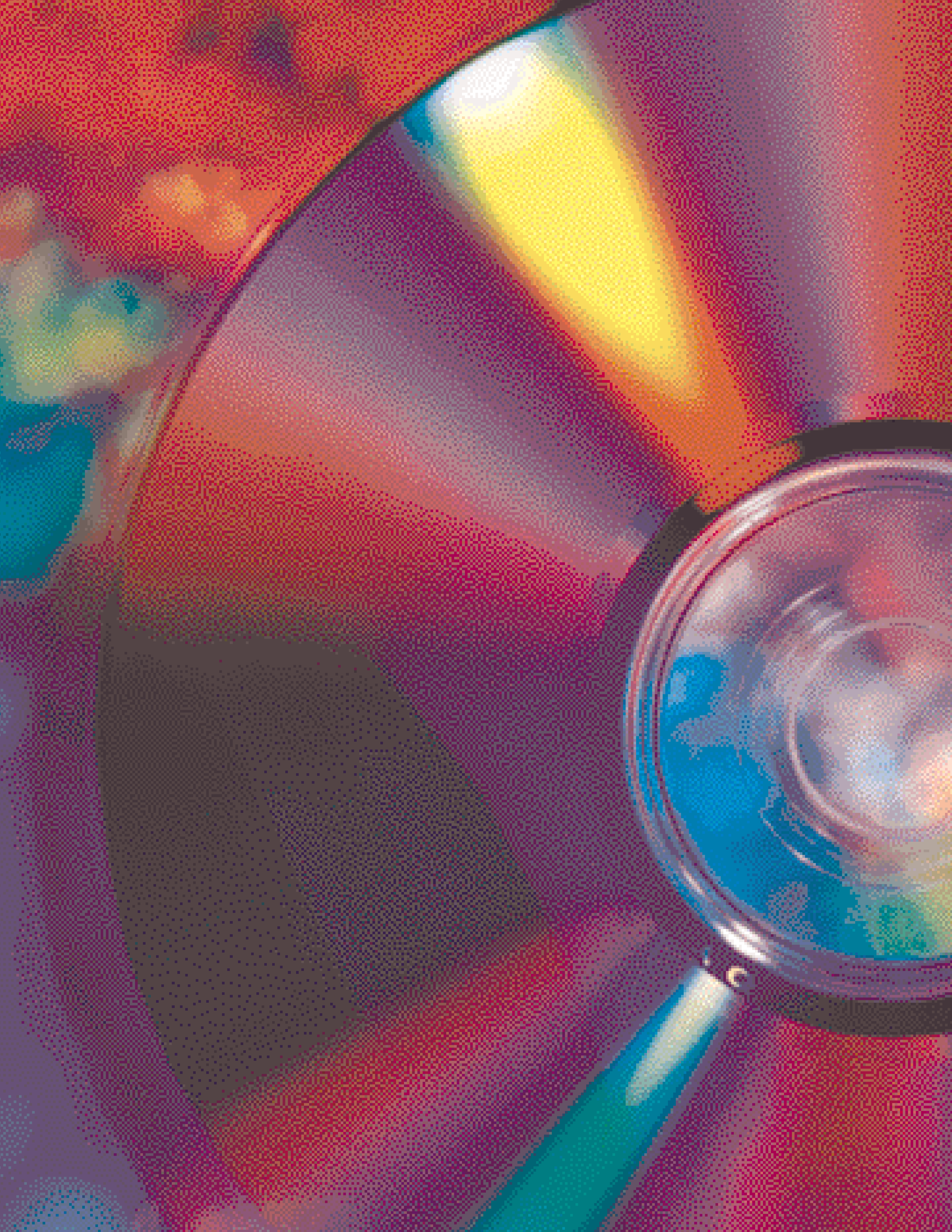
Operating results in Radio improved for the sixth consecutive year in 1999, with operating earnings growing by 13% to $5.9 million from $5.2 million a year earlier.

Revenue increased from $22.2 million in 1998 to $25.1 million in 1999. Most of the improvement took place in Edmonton, where K-ROCK-FM was acquired in February 1999. Significant revenue improvement was also realized in Halifax, with 1999 being the first full year of operation of our extended local management agreement ("LMA"). The only revenue decline was experienced in Moncton. Programming adjustments made to offset competitive pressures are returning revenue to its previous level.

RADIO – OPERATING CASH FLOW

(millions of dollars)





Operating cash flow rose from $6.3 million in 1998 to $7.4 million in 1999. Cash operating margins improved from 28% to 29% on a year-over-year basis. This reflects the synergies arising from acquisitions and LMAs, together with strict control over costs.

In February 1999, the Company announced its proposal to acquire, subject to the approval of the Canadian Radio-television and Telecommunications Commission ("CRTC"), two FM and seven AM stations owned by VOCM Radio Newfoundland Limited. This will allow the Company to achieve increased operating efficiencies in its Newfoundland operations. The CRTC hearing was held in December 1999 and the decision is expected in April or May of 2000.

The Company has formed a partnership with two other groups and has applied for licenses for AM and FM frequencies in Toronto. The Company has also applied for licenses in Vancouver, Calgary, Hamilton and Moncton.

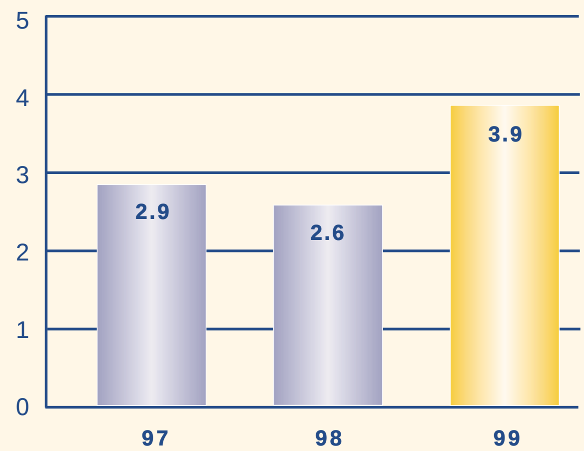
Publishing and Printing

Operating earnings improved from $1.7 million in 1998 to $2.7 million in 1999 on revenue growth of 17%. In Newfoundland and Labrador, a provincial election, the Canada Winter Games, and the 50th anniversary of the province joining Confederation all took place during the year and generated substantial improvements in advertising and commercial printing revenue. Operating cash flow reached $3.9 million in 1999, a 50% increase over the $2.6 million level of the previous year.

The Company acquired Atlantic Nova Print Company Incorporated and McCurdy Printing Limited in October 1999 in a strategic move to solidify its position as the dominant commercial printer in Atlantic Canada. Atlantic Nova Print operates a sheet-fed printing plant located in Halifax. McCurdy Printing operates sheet-fed printing plants in Dartmouth and Moncton. Subsequent to year-end, the Company acquired T.K. Printing Ltd., which also operates a sheet-fed printing plant in Moncton.

The companies that were acquired have developed strong franchises that, combined with our Robinson-Blackmore operations in Newfoundland and Labrador, will offer comprehensive services for customers and generate significant operating improvements.

PUBLISHING AND PRINTING OPERATING CASH FLOW
(millions of dollars)



Liquidity and Capital Resources

The Company's cash flow from continuing operations was $7.1 million in 1999, a 37% increase from the 1998 level of $5.2 million due to the strong performance in each operating segment. The Company also collected $45.2 million of instalment receipts relating to the Clarke Transport disposition that took place in 1998.

Significant uses of cash included business acquisitions of $22.2 million, the payment of $17.0 million of


FM
AM

taxes relating to the dispositions of discontinued operations, equity investments of $4.6 million, property and equipment additions of $2.1 million, stock repurchases of $2.0 million, and $1.2 million of dividend payments. The investment in non-cash working capital relating to operating activities required $4.1 million.

Of its total credit facilities of $18.7 million at December 31, 1999, the Company had $1.4 million of long-term debt and $8.4 million of current bank indebtedness outstanding.

Working capital at December 31, 1999 was $0.1 million, down from $24.3 million the year before due to the uses of cash noted above. Since inventories are a minor factor in working capital requirements, the Company operates comfortably with a current ratio near 1:1. The Company's credit facilities are being increased subsequent to year-end to finance the acquisitions that have been announced.

Capital Expenditures

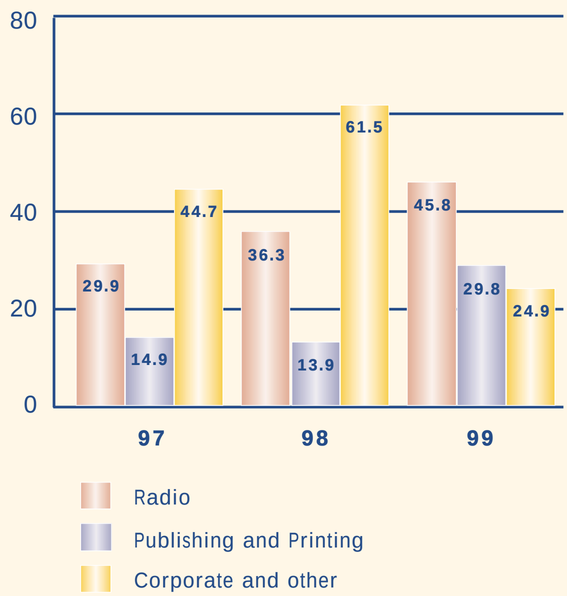
Capital expenditures amounted to $2.6 million in 1999, up from $2.3 million in 1998. The Radio Division accounted for 18% of 1999 expenditures, Publishing and Printing 68%, and Corporate and other 14%. The capital budget for 2000 amounts to $3.1 million. No major capital purchases are planned.

Capital Employed

Assets at December 31, 1999 totaled $100.5 million, down from $111.7 million the previous year. The Radio Division accounted for 46% of total assets in 1999, Publishing and Printing 30%, and Corporate and other 24%.

The year-end capital structure consisted of 70% equity ($70.1 million) and 30% debt ($30.4 million). This compares to 63% equity ($70.0 million) and 37% debt ($41.7 million) at the end of 1998. The total debt-to-equity ratio improved in 1999 to 0.4:1 from 0.6:1 the previous year.

ASSETS EMPLOYED
(millions of dollars)



Capital stock decreased during 1999 by $1.0 million. The Company repurchased and cancelled 261,000 shares at a total cost of $2.0 million pursuant to a Normal Course Issuer Bid. At year-end, the Company was authorized to acquire another 600,235 shares before December 5, 2000. The average number of shares outstanding during the year decreased to 12,189,000 from 12,328,000 in 1998.

Risks and Opportunities

The Company's revenues are derived primarily from the sale of advertising directed at retail consumers. There is a risk of reduced profitability should the retail sector experience a significant downturn. However, the Company retains a degree of geographic and sectoral diversification in radio, publishing, and printing.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Regulation by the CRTC creates risks and opportunities. The licensing process creates a significant barrier to entry. Although this provides a degree of protection for the Company in its existing markets, it makes it difficult or costly to enter new markets.

The CRTC relaxed its common ownership policy in 1998. In markets with less than eight commercial stations operating in a given language, a licensee may own or control as many as three stations operating in that language, with a maximum of two stations on either the AM or FM band. In larger markets, four stations may be owned or controlled, with a maximum of two on each band. As a result of this new policy, industry rationalization through mergers and acquisitions has begun. This should result in fewer, but more profitable, industry participants. The new policy has also resulted in applications for new licenses in many markets.

The CRTC has indicated that it will review all existing LMAs as a condition of license upon renewal. Any new LMA proposals must be presented to the CRTC for approval prior to implementation.

The "new economy" that is resulting from the rapid evolution of the Internet and e-commerce initiatives is changing the face of business and will dramatically affect our customers and suppliers. Through its equity investment in Iceberg Media.com Inc., the Company is positioned at the forefront of this evolution.

In connection with the disposition of the Company's interest in a container terminal ("Halterm") to the Halterm Income Fund (the "Fund") in May 1997, the Company indemnified Halterm for any material increases in the base rental fee payable by Halterm to the Halifax Port Corporation for the first renewal term of the lease that will commence December 19, 2000, such renewal term not to exceed ten years in length. The indemnity is only applicable to the extent, if any, that such increases in the base rental fee result in a reduction in distributions to Fund Unitholders to a level below that anticipated in the forecast included in the prospectus for the initial public offering of Trust Units of the Fund.

Outlook

The Company has successfully completed a major transition from a conglomerate to a pure communications company. The growth that has been experienced in our existing Radio properties is expected to continue. Further growth is anticipated from our requests to secure new licenses through the CRTC licensing process and by acquisitions such as VOCM in Newfoundland. The Company's Publishing and Printing Division has been successful for generations and the recent strategic acquisitions protect its dominance in Atlantic Canada. Initiatives such as the investment in Iceberg Media.com Inc. put the Company at the forefront of the Internet economy. The outlook is promising.

AUDITORS' REPORT

To the Shareholders of Newfoundland Capital Corporation Limited

We have audited the consolidated balance sheets of Newfoundland Capital Corporation Limited as at December 31, 1999 and 1998 and the consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Halifax, Canada
February 9, 2000

Ernst & Young LLP (signed) Chartered Accountants

Consolidated Statement of Income — For the years ended December 31

(thousands of dollars)		1999	1998
Revenue	$	**58,317**	51,314
Other income (expense)		**859**	(241)
		59,176	51,073
Operating expenses		**49,364**	43,362
Earnings before undernoted items		**9,812**	7,711
Depreciation		**(2,055)**	(1,615)
Amortization		**(1,022)**	(714)
Operating earnings		**6,735**	5,382
Interest		**360**	517
Income from continuing operations before undernoted items		**6,375**	4,865
Income tax expense (note 9)		**2,971**	2,273
Income from continuing operations before non-controlling interest		**3,404**	2,592
Non-controlling interest in subsidiary's earnings		**86**	172
Income from continuing operations		**3,318**	2,420
Income from discontinued operations (note 10)		**—**	33,917
Net income	$	**3,318**	36,337
Earnings per share			
Basic			
Continuing operations	$	**0.27**	0.20
Discontinued operations		**—**	2.75
Net income	$	**0.27**	2.95
Fully diluted			
Continuing operations	$	**0.27**	0.20
Discontinued operations		**—**	2.60
Net income	$	**0.27**	2.80

See accompanying notes to consolidated financial statements

Consolidated Statement of Shareholders' Equity — For the years ended December 31

(thousands of dollars)		1999	1998
Retained earnings, beginning of year	$	**24,334**	51,099
Net income		**3,318**	36,337
Dividends		**(1,215)**	(62,721)
Repurchase of capital stock (note 8)		**(947)**	(381)
Retained earnings, end of year		**25,490**	24,334
Capital stock (note 8)		**44,630**	45,634
Total shareholders' equity	$	**70,120**	69,968

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows — For the years ended December 31

(thousands of dollars)		1999	1998
Operating Activities			
Operating earnings	$	**6,735**	5,382
Items not involving cash			
Depreciation and amortization		**3,077**	2,329
Other		**141**	97
Cash flow from continuing operations before interest and taxes		**9,953**	7,808
Interest paid		**(360)**	(517)
Current taxes paid on continuing operations		**(2,518)**	(2,128)
Cash flow from continuing operations		**7,075**	5,163
Change in non-cash working capital relating to operating activities		**(4,138)**	(958)
		2,937	4,205
Cash flow from discontinued operations		**—**	(355)
		2,937	3,850
Financing Activities			
Long-term debt repayments		**(156)**	(1,135)
Issuance of capital stock (note 8)		**44**	6,295
Repurchase of capital stock (note 8)		**(1,995)**	(958)
Dividends		**(1,215)**	(62,721)
		(3,322)	(58,519)
Investing Activities			
Instalment receipts and note receivable		**45,688**	27,441
Property and equipment additions, net		**(2,092)**	(2,313)
Business acquisitions (note 2)		**(22,250)**	—
Investments, at equity		**(4,562)**	(717)
Proceeds from disposition of discontinued operations		**—**	45,874
Current taxes on disposition of discontinued operations		**—**	(24,797)
Other		**821**	(413)
		17,605	45,075
Change in non-cash working capital relating to investing activities		**(16,972)**	268
		633	45,343
Investing activities of discontinued operations		**—**	(36)
		633	45,307
Increase (decrease) in cash position during the year		**248**	(9,362)
Cash (bank indebtedness), beginning of year		**(8,679)**	683
Bank indebtedness, end of year	$	**(8,431)**	(8,679)

See accompanying notes to consolidated financial statements

Consolidated Balance Sheet — As at December 31

(thousands of dollars)		1999	1998
ASSETS			
Current assets			
Short-term investments, at market value	$	**5,243**	829
Receivables		**14,457**	12,203
Instalment receipts receivable		**—**	45,225
Note receivable		**960**	963
Inventories		**1,157**	822
Prepaid expenses		**1,034**	426
Total current assets		**22,851**	60,468
Property and equipment, net (note 3)		**24,334**	16,773
Note receivable (note 4)		**4,488**	4,948
Investments, at equity		**5,279**	717
Other assets (note 5)		**8,029**	8,016
Licenses, net of amortization of $5,149,000 (1998 - $4,350,000)		**28,876**	18,469
Goodwill, net of amortization of $1,975,000 (1998 - $1,871,000)		**6,635**	2,350
	$	**100,492**	111,741
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness (note 6)	$	**8,431**	8,679
Accounts payable and accrued liabilities		**13,308**	8,106
Income taxes payable		**501**	19,325
Current portion of long-term debt		**499**	56
Total current liabilities		**22,739**	36,166
Long-term debt (note 6)		**883**	485
Accrued pension obligations (note 7)		**5,639**	4,720
Deferred income taxes		**675**	52
Non-controlling interest in subsidiary		**436**	350
Shareholders' equity		**70,120**	69,968
	$	**100,492**	111,741

See accompanying notes to consolidated financial statements

On behalf of the Board:

H.R. Steele (signed) Director

J.J. Fleming (signed) Director

Notes to Consolidated Financial Statements — December 31, 1999 and 1998

1. Summary of significant accounting policies

The Company is incorporated under the Canada Business Corporations Act.

These financial statements have been prepared in accordance with generally accepted accounting principles, the more significant of which are as follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

(b) Investments

Investments in companies over which the Company exercises significant influence are accounted for by the equity method. Short-term investments are valued, on an aggregate basis, at the lower of cost and market value at the balance sheet date. In the event that short-term investments are adjusted to market value, subsequent recoveries in value will be recorded to the extent of original cost.

(c) Depreciation

Property and equipment are depreciated over their estimated useful lives using primarily straight-line and declining balance methods at the following rates:

Buildings	5% to 10%
Equipment	7% to 50%

(d) Acquisitions, goodwill and licenses

On the acquisition of businesses, the excess of the purchase price over the fair value of the underlying identifiable net assets is recognized as goodwill. Goodwill and licenses are amortized on a straight-line basis over forty years. The method used to assess if there has been a permanent impairment in the value of these assets is based on projected discounted cash flows.

(e) Pension costs and obligations

In valuing pension obligations, the Company uses the accrued benefit actuarial method prorated on services and best estimate assumptions. Pension plan assets are valued at market value. Adjustments to pension costs are amortized on a straight-line basis over the expected average remaining service life of the plan participants.

(f) Financial instruments

The carrying amounts of the Company's primary financial instruments recognized in the balance sheet approximate fair values. The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize this risk.

(g) Income taxes

The Company follows the deferral method of income tax allocation whereby the provision for corporate income taxes may differ from the amount of taxes currently payable as a result of including amounts in income for tax purposes during different periods than they are included in income for accounting purposes.

2. Business acquisitions and investments

The Company purchased 100% of the assets of K-ROCK-FM in Edmonton in February 1999 and 100% of the shares of Atlantic Nova Print Company Incorporated and McCurdy Printing Limited in Halifax in October 1999. These acquisitions were accounted for as purchases and accordingly, the consolidated statement of income includes the results of operations from their respective acquisition dates. The following summarizes the transactions:

(thousands of dollars)	Total
Licenses	$ 11,206
Property and equipment	7,032
Goodwill	4,390
Investment tax credits recoverable	1,262
Working capital	123
Accrued pension obligations	(1,078)
Long-term debt	(515)
Deferred income taxes	(170)
Cash consideration	$ 22,250

2. Business acquisitions and investments (continued)

The Company purchased 26.2% of the shares of Iceberg Media.com Inc. in December 1999. This investment is accounted for using the equity method, with the $5,200,000 difference between the cost of the investment and the underlying net book value of the investee's net assets at the date of acquisition being amortized over 40 years.

3. Property and equipment

(thousands of dollars)		Cost	Accumulated depreciation	Net book value
1999				
Land	$	1,768	—	**1,768**
Buildings		14,093	4,870	**9,223**
Equipment		27,871	14,528	**13,343**
	$	43,732	19,398	**24,334**
1998				
Land	$	1,568	—	1,568
Buildings		12,373	4,393	7,980
Equipment		20,735	13,510	7,225
	$	34,676	17,903	16,773

4. Note receivable

The note receivable is non-interest bearing and matures in 2007. It is repayable in annual instalments of $1,000,000, which have been discounted at interest rates ranging from 8.8% to 11.8%.

5. Other assets

(thousands of dollars)		1999	1998
Employee share purchase and other loans	$	**3,795**	3,698
Other long-term receivables		**2,195**	—
Investment tax credits recoverable		**1,262**	—
Deferred costs		777	1,318
Deposit on business acquisition		—	3,000
	$	**8,029**	8,016

Employee share purchase and other loans are non-interest bearing and payable on demand. Other long-term receivables bear interest at 4%.

6. Long-term debt

Long-term debt is comprised of capital lease obligations totaling $807,000 bearing interest at rates ranging from 5.8% to 8.4%, maturing to 2004, a mortgage loan of $207,000 (1998 – $230,000) bearing interest at prime plus 1%, maturing to 2009, and other loans totaling $368,000 (1998 – $311,000) bearing interest at rates ranging from nil to 9.4% and maturing to 2004.

Maturities of long-term debt for each of the next five years are: 2000 – $499,000; 2001 – $325,000; 2002 – $200,000; 2003 – $189,000; and 2004 – $77,000.

Trade receivables, certain inventories and first fixed and floating charge debentures over the Company's other principal assets are pledged as collateral for the bank indebtedness and certain long-term debt. Bank indebtedness is payable on demand and bears interest at the prime lending rate.

7. Pension plans

At December 31, 1999, pension plan assets and pension plan obligations of the Company's defined benefit pension plans were $5,667,000 and $9,187,000, respectively.

The cumulative difference between funding contributions and the amounts expensed as pension costs is recorded on the balance sheet as accrued pension obligations.

8. Capital stock

	(thousands)	(thousands of dollars)	
	Issued Shares	**1999**	1998
Capital stock (unlimited number authorized at no par value):			
Class A Subordinate Voting Shares (1998 - 11,142,000)	10,887	$ **43,719**	44,723
Class B Common Shares (1998 - 1,258,000)	1,258	**911**	911
		$ **44,630**	45,634

The Company has also authorized an unlimited number of Class A and Class B Preferred Shares of which none are outstanding.

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

During the year, the Company repurchased 261,000 (1998 – 143,700) of its outstanding Class A Subordinate Voting Shares for a total cost of $1,995,000 (1998 – $958,000), pursuant to a Normal Course Issuer Bid. As a result of these share repurchases, capital stock was reduced by $1,048,000 (1998 - $577,000) and retained earnings reduced by $947,000 (1998 - $381,000).

During the year, the Company issued 6,000 (1998 – 1,070,000) Class A Subordinate Voting Shares for proceeds of $43,500 (1998 - $6,295,000) pursuant to an executive stock option plan. The proceeds were credited to capital stock. The Company has reserved a further 1,203,163 Class A Subordinate Voting Shares pursuant to this plan. At December 31, 1999, 831,500 (1998 - 737,500) options were outstanding. The options are exercisable at prices ranging from $7.25 to $8.00 and expire in varying amounts from 2001 to 2008.

9. Income tax expense

The Company's effective income tax rate for continuing operations is derived as follows:

(percentages)	**1999**	1998
Combined federal and provincial income tax rate	**43.8**	44.1
Non-deductible amortization and other	**9.0**	7.2
Manufacturing and processing profits deduction	**(6.2)**	(4.6)
Average effective tax rate	**46.6**	46.7

10. Discontinued operations

On March 17, 1998 the Company completed the divestiture of its transportation segment and certain publishing operations. The results of these businesses have been accounted for as discontinued operations. Information relating to discontinued operations is summarized as follows:

(thousands of dollars)		1999	1998
Revenue	$	—	41,651
Income from operations, net of income taxes of $nil (1998 - $87,000)		—	90
Gain on disposal, net of income taxes of $nil (1998 - $22,217,000)		—	33,827

11. Segmented information

The Company has two reportable segments: radio and publishing and printing. The radio segment derives its revenue from the sale of broadcast advertising. The publishing and printing segment derives its revenue from the sale of print advertising, sale of newspapers, and commercial printing operations. The reportable segments are strategic business units that offer different services and products. They are managed separately because each segment utilizes different technology and requires different strategies.

The accounting policies of the segments are the same as those described in the Summary of significant accounting policies (note 1). The Company evaluates performance based on operating cash flow and earnings before interest and income taxes. Details of segment operations are set out in the Schedule of Business Segments.

12. Commitments

(a) Operating leases

The Company is committed to lease certain properties and equipment. Future minimum annual payments are: 2000 – $596,000; 2001 – $346,000; 2002 – $176,000; 2003 – $39,000; and 2004 – $15,000.

(b) Business acquisitions

The Company has entered into agreements to acquire certain radio properties, subject to the approval of the Canadian Radio-television and Telecommunications Commission, and a printing operation for aggregate consideration of approximately $21,000,000. The acquisitions will be financed through bank credit facilities.

(c) Indemnity

In connection with the disposition of the Company's interest in a container terminal ("Halterm") to the Halterm Income Fund (the "Fund") in May 1997, the Company indemnified Halterm for any material increases in the base rental fee payable by Halterm to the Halifax Port Corporation for the first renewal term of the lease that will commence December 19, 2000, such renewal term not to exceed ten years in length. The indemnity is only applicable to the extent, if any, that such increases in the base rental fee result in a reduction in distributions to Fund Unitholders to a level below that anticipated in the forecast included in the prospectus for the initial public offering of Trust Units of the Fund.

13. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

Schedule of Business Segments — For the years ended December 31

(thousands of dollars) (note 11)	1999	1998	1997	1996	1995	1994
Revenue						
Radio	$ **25,105**	22,216	19,302	16,381	15,995	16,441
Publishing and Printing	**29,168**	24,961	23,886	21,760	21,941	19,560
Corporate and other	**4,044**	4,137	2,620	—	—	—
	$ **58,317**	51,314	45,808	38,141	37,936	36,001
Operating cash flow						
Radio	$ **7,398**	6,325	4,252	3,322	618	302
Publishing and Printing	**3,898**	2,599	2,853	2,725	2,596	2,760
Corporate and other	**(1,343)**	(1,116)	(403)	(744)	(423)	(1,482)
	$ **9,953**	7,808	6,702	5,303	2,791	1,580
Operating earnings (loss)						
Radio	$ **5,871**	5,217	2,501	1,669	(685)	(930)
Publishing and Printing	**2,730**	1,715	1,835	1,493	1,442	1,720
Corporate and other	**(1,866)**	(1,550)	(537)	(958)	(576)	(1,808)
	$ **6,735**	5,382	3,799	2,204	181	(1,018)
Depreciation and amortization						
Radio	$ **1,525**	1,147	1,750	1,415	1,307	1,237
Publishing and Printing	**1,196**	884	1,020	1,233	1,149	1,099
Corporate and other	**356**	298	80	7	16	13
	$ **3,077**	2,329	2,850	2,655	2,472	2,349
Assets employed						
Radio	$ **45,761**	36,348	29,891	30,054	31,902	31,260
Publishing and Printing	**29,791**	13,925	14,854	14,582	16,133	14,962
Corporate and other	**24,940**	61,468	44,716	4,159	4,083	4,704
	$ **100,492**	111,741	89,461	48,795	52,118	50,926
Capital expenditures, net						
Radio	$ **467**	648	335	(507)	401	208
Publishing and Printing	**1,745**	938	393	358	694	641
Corporate and other	**362**	727	1,321	30	323	176
	$ **2,574**	2,313	2,049	(119)	1,418	1,025

The figures for 1997 and prior years have been restated to exclude the effect of operations discontinued in 1998 (note 10).

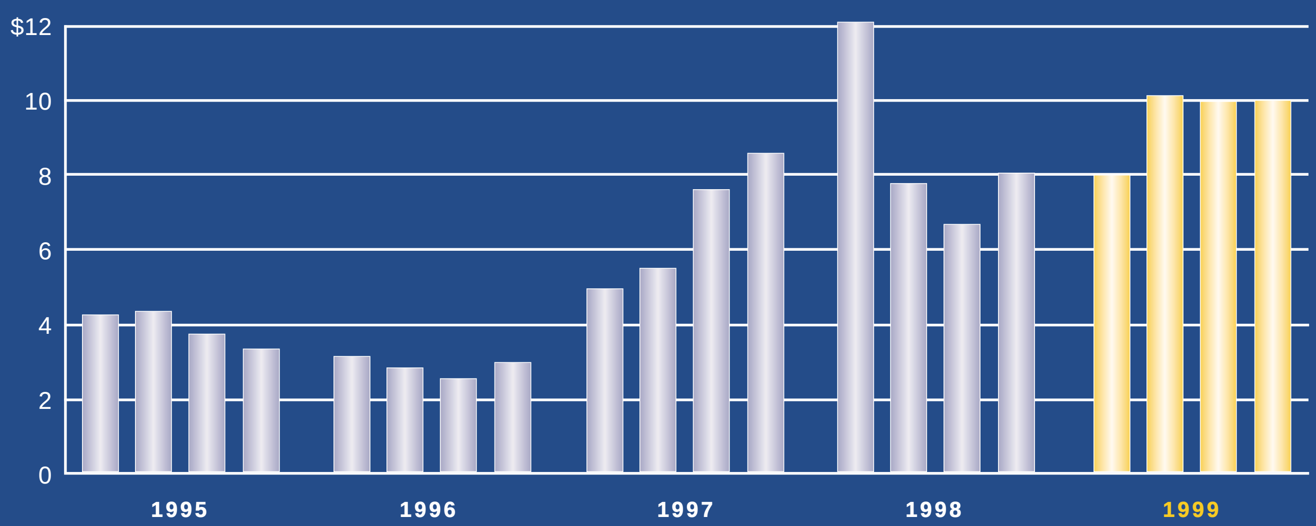
Six-Year Financial Review — For the years ended December 31

	1999	1998	1997	1996	1995	1994
Operations (thousands of dollars)						
Revenue from continuing operations	$ **58,317**	51,314	45,808	38,141	37,936	36,001
Income (loss) from continuing operations	**3,318**	2,420	1,799	1,176	(334)	(1,736)
Net income	**3,318**	36,337	43,642	4,273	3,824	7,667
Cash flow from continuing operations	**7,075**	5,163	5,669	4,862	2,276	862
Financial position (thousands of dollars)						
Total assets	$ **100,492**	111,741	158,676	146,655	152,167	133,828
Working capital (deficiency)	**112**	24,302	23,749	(3,204)	(8,183)	(6,524)
Long-term debt	**883**	485	749	36,729	42,971	40,540
Shareholders' equity	**70,120**	69,968	91,015	49,473	45,698	43,343
Ratios						
Current	**1.0:1**	1.7:1	1.4:1	0.9:1	0.9:1	0.9:1
Long-term debt to equity	**—**	—	—	0.7:1	0.9:1	0.9:1
Per share information						
Income (loss) from continuing operations	$ **0.27**	0.20	0.16	0.10	(0.03)	(0.15)
Net income	**0.27**	2.95	3.88	0.37	0.33	0.65
Cash flow from continuing operations	**0.58**	0.42	0.50	0.42	0.20	0.07
Dividends	**0.10**	5.00	0.10	—	—	—
Book value	**5.77**	5.64	7.93	4.36	3.96	3.65
Share price, NCC.A (closing)	**10.00**	8.00	8.65	3.10	3.50	4.75
Other information (thousands)						
Shares outstanding at year-end	**12,145**	12,400	11,474	11,338	11,528	11,865
Average shares outstanding	**12,189**	12,328	11,249	11,474	11,668	11,856

Quarterly Highlights

(thousands of dollars, except per share information)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1999					
Operations					
Net income	**$ 287**	**1,084**	**599**	**1,348**	**3,318**
Cash flow from continuing operations	**1,069**	**1,928**	**1,498**	**2,580**	**7,075**
Per share information					
Income from continuing operations	**0.02**	**0.09**	**0.05**	**0.11**	**0.27**
Cash flow from continuing operations	**0.09**	**0.16**	**0.12**	**0.21**	**0.58**
1998					
Operations					
Income from continuing operations	$ 160	827	482	951	2,420
Net income	34,077	827	482	951	36,337
Cash flow from continuing operations	788	1,516	1,214	1,645	5,163
Per share information					
Income from continuing operations	0.01	0.07	0.04	0.08	0.20
Cash flow from continuing operations	0.07	0.12	0.10	0.13	0.42

CLASS A SUBORDINATE VOTING SHARE PERFORMANCE



Corporate Information

Board of Directors

Craig L. Dobbin, O.C.*
Chairman & CEO
CHC Helicopter Corporation

John J. Fleming*
President
Bonanza Energy Ltd.

Harry R. Steele, O.C.
Chairman & CEO
Newfoundland Capital Corporation

Robert G. Steele
President
Steele Auto Group

Donald J. Warr, F.C.A.*
Partner
Blackwood & Warr

** Member of the Audit Committee*

J. Claude Hébert, O.C., D.F.C.
Honorary Director

Officers

Harry R. Steele
Chairman & CEO

A. Robert Inkpen
Vice President, Finance & Secretary

Paul D. Morris
Corporate Controller

Carol M. Markesino
Assistant Secretary

Radio

NewCap Broadcasting
Dartmouth, Nova Scotia
Robert Templeton, President
902-468-7557

Publishing and Printing

Atlantic Nova / McCurdy Print
Dartmouth, Nova Scotia
Daniel Murphy, President
902-457-7468

Metro Guide Publishing
Halifax, Nova Scotia
Sheila Blair, Publisher
902-420-9943

Robinson-Blackmore
St. John's, Newfoundland
Derek Hiscock, President
709-722-8500

Transfer agent and registrar

The transfer agent and registrar for the shares of the Company is the Montreal Trust Company at its offices in Toronto, Montreal and Halifax. For shareholder account inquiries, please write to Newfoundland Capital Corporation, c/o Montreal Trust, 1465 Brenton Street, Halifax, Nova Scotia B3J 3S9.

Investor relations contact

Institutional and individual investors seeking financial information about the Company are invited to contact A. Robert Inkpen, Vice President, Finance & Secretary 902-468-7557.
e-mail: ncc@ncc.ca
web: www.ncc.ca

Stock exchange listing and symbols

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

Auditors

Ernst & Young LLP

Bankers

The Bank of Nova Scotia

Annual Meeting

The Annual General Meeting of Shareholders will be held at 11:00 am, Friday, May 5, 2000 in the Fort William Ballroom, Hotel Newfoundland, Cavendish Square, St. John's, Newfoundland.

NEWFOUNDLAND CAPITAL CORPORATION LIMITED

745 Windmill Road • Dartmouth, Nova Scotia • Canada • B3B 1C2
Tel: (902) 468-7557 • Fax: (902) 468-7558
e-mail: ncc@ncc.ca • web: www.ncc.ca