NEWFOUNDLAND CAPITAL CORPORATION LIMITED

ANNUAL REPORT 2000

Annual Report 2000

Corporate Profile

Newfoundland Capital Corporation Limited is a communications company engaged in Radio and Publishing and Printing. The Company operates 25 radio licenses across Canada and publishes 19 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
XL96-FM	Moncton

Nova Scotia

KIXX	Halifax
Q104-FM	Halifax

Prince Edward Island

CHTN	Charlottetown

Newfoundland and Labrador

Radio Newfoundland	St. John's
VOCM	St. John's
Magic 97-FM	St. John's
CKIX-FM	St. John's
CHVO	Carbonear
Magic 97-FM	Clarenville
CKVO	Clarenville
CKXB	Musgravetown
Magic 98.7-FM	Gander
CKGA	Gander
CKXG	Grand Falls-Windsor
CKCM	Grand Falls-Windsor
CKIM	Baie Verte
CKXX-FM	Corner Brook and Stephenville
CFCB	Corner Brook (33%)
CHCM	Marystown

PUBLISHING AND PRINTING

Nova Scotia

Print Atlantic
Metro Guide Publishing

New Brunswick

Print Atlantic

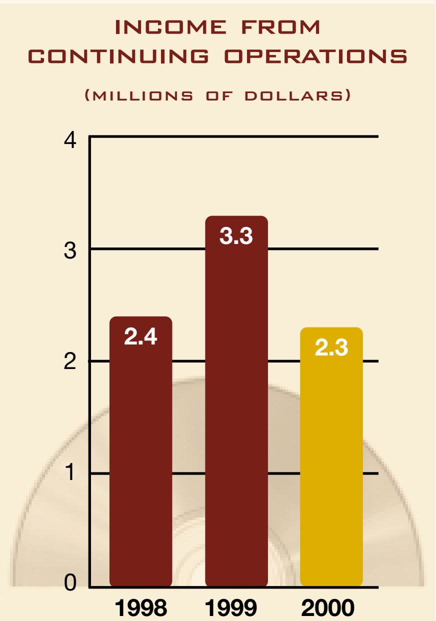
Newfoundland and Labrador

Robinson-Blackmore

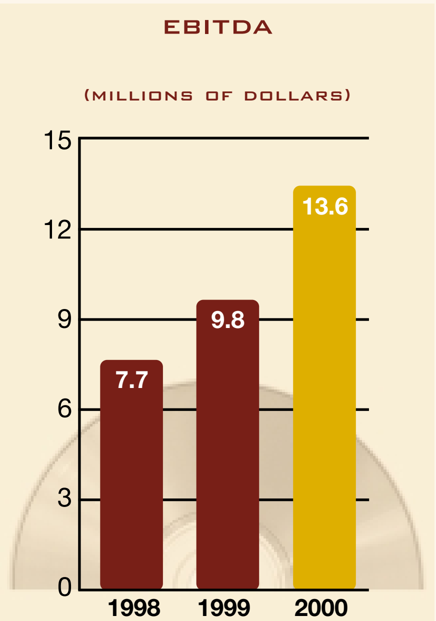
Table of Contents

Financial Highlights

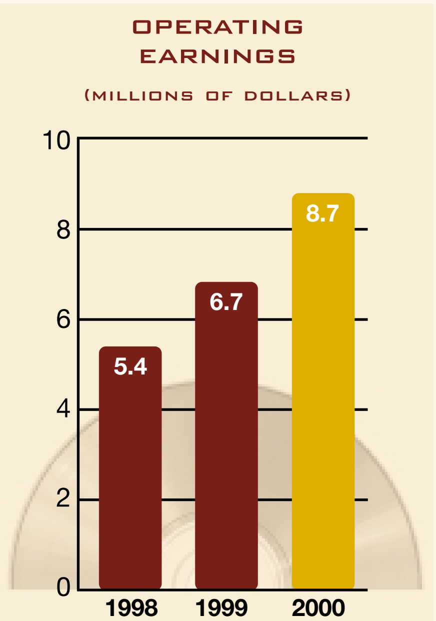
(millions of dollars, except per share information)	2000	1999	1998	1997	1996
Operations					
Revenue from continuing operations	$ **77.7**	58.3	51.3	45.8	38.1
Income from continuing operations	**2.3**	3.3	2.4	1.8	1.2
Net income	**2.3**	3.3	36.3	43.6	4.3
Cash flow from continuing operations	**10.1**	7.1	5.2	5.7	4.9
Financial position					
Total assets	$ **140.4**	100.5	111.7	158.7	146.7
Long-term debt	**31.4**	0.9	0.5	0.7	36.7
Shareholders' equity	**70.1**	70.1	70.0	91.0	49.5
Per share information					
Income from continuing operations	$ **0.20**	0.27	0.20	0.16	0.10
Net income	**0.20**	0.27	2.95	3.88	0.37
Cash flow from continuing operations	**0.85**	0.58	0.42	0.50	0.42
Dividends	—	0.10	5.00	0.10	—
Book value	**5.89**	5.77	5.64	7.93	4.36
Share price, NCC.A (closing)	**9.65**	10.00	8.00	8.65	3.10



Associated Company losses and higher interest costs reduced net income.



EBITDA continues its upward trend.



Core operations drove operating earnings to $8.7 million.

Report to Shareholders

We can best describe the year 2000 for Newfoundland Capital Corporation Limited as a year of growth and expansion. In last year's report, we promised to continue to strengthen the Company by improving our existing operations and making carefully selected acquisitions. To this end, 2000 was a successful year.

Strong growth is clearly evident. Operating earnings were $8.7 million as compared to $6.7 million in 1999, an increase of 30%. Cash flow from operations reached $10.1 million ($0.85 per share), a 43% increase over last year's level of $7.1 million ($0.58 per share). EBITDA (earnings before interest, taxes, depreciation and amortization) was up 39% at $13.6 million ($1.14 per share).

As expected, our equity share of losses at Iceberg Media.com had a negative impact on net income. This loss ($1.2 million) combined with higher interest costs (an increase of $1.8 million) led to net income in 2000 of $2.3 million ($0.20 per share) down from $3.3 million ($0.27 per share) the year before. It should be noted that investments exceeding $30.0 million (VOCM, new Moncton FM, and the heat-set web press) did not, nor were they expected to realize full returns in the fiscal year 2000.

Radio

In June the Radio Division took over the operations of VOCM Radio in Newfoundland. The improvement in our overall Newfoundland radio operations was immediate. Although 2000 results include only seven months of VOCM, Newfoundland radio cash flows were up $1.2 million over 1999. This represents slightly over 40% of the total cash flow growth in Radio.

We were successful in receiving a new FM license for Moncton. The new country station, XL96, was launched on November 8, 2000 and its full impact will be seen in 2001.

Our acquisition of Humber Valley Broadcasting in Newfoundland should be approved by the end of June 2001.

The year was not without its disappointments. We were not successful in applications to obtain new licenses in Toronto and Hamilton. In March 2001 the Commission also denied our application for Calgary. We hope, however, that our application for Vancouver will receive more favourable recognition by the CRTC as it completes its deliberations on new licenses for this market. We expect the Commission to make its decision known in the second quarter of 2001. We will also be applying for a new FM license for

Ottawa and continue our review of other markets.

Beyond corporate development, we showed strong growth in our existing Radio properties. Revenue was 10% ahead of last year and cash flow was 23% ahead of 1999. Our principal markets of Edmonton, Halifax and Moncton were all well ahead of last year.

Publishing and Printing

In Publishing and Printing, cash flow grew to $5.5 million, up from $3.9 million last year. The results originating from the acquisitions of McCurdy Printing and Atlantic Nova Print (which were acquired in the fourth quarter of 1999) proved to be even better than expected. The addition of T.K. Printing in January 2000 and the merger of all three operations into Print Atlantic, has made us one of the dominant forces in printing in Atlantic Canada. The installation of a new heat-set web press in Halifax in December opens a whole new area for growth within our Publishing and Printing Division.

Outlook

Regardless of the outcome of current and future new radio license applications, we enter 2001 with strong growth potential. We will see a full year of the impact of VOCM in Newfoundland Radio. The addition of Humber Valley Radio, if we receive CRTC approval, will also add to improved results. Our Print Atlantic Division will take some time to obtain the full potential from its new heat-set web press, however, its addition to our list of services will add to bottom line growth.

The Company has solidified its position in the communications industry. We have diversified risk away from any specific division or geographic area. The outlook for 2001 reflects continued strong growth.

Our People

Merging the operations of two or more businesses, be it radio in Newfoundland or printing in Atlantic Canada, creates a unique set of challenges. Our employees have responded well. We expect 2001 will bring even further change. Our employees everywhere have shown that they embrace new opportunity with vigor and produce results.

HRSteele

Harry R. Steele
Chairman and
Chief Executive Officer

March 1, 2001

Management's
Discussion and Analysis

Consolidated Operating Results

This year was the second full year of operations for Newfoundland Capital Corporation as a pure communications company. The acquisitions made in the year complemented this core business strategy.

Operating earnings increased by 30% to $8.7 million in 2000 from $6.7 million in 1999. Cash flow from operations rose by 43%, reaching $10.1 million ($0.85 per share) in 2000 as compared to $7.1 million ($0.58 per share) in the previous year.

Revenue grew by 33% to $77.7 million in 2000 from the 1999 level of $58.3 million. Operating expenses increased to $64.4 million from $49.4 million. As a percentage of revenue, operating expenses declined to 83% from 85%.

Other income was $0.4 million in 2000, primarily relating to dividends and gains on the sale of short-term investments. This compares to $0.9 million for the prior year.

Depreciation expense of $3.4 million in 2000 was 64% higher than the expense of $2.1 million in 1999 due to additional property and equipment acquired through business acquisitions and capital expenditures. Amortization expense increased to $1.5 million in 2000 as compared to $1.0 million in 1999. This increase is primarily due to licenses and goodwill that arose from business acquisitions.

The slight decrease in income tax expense from $3.0 million in 1999 to $2.9 million in 2000 was consistent with a higher proportion of pre-tax earnings related to the publishing and printing operations, which has lower income tax rates.

Net income for 2000 was $2.3

million ($0.20 per share). This compares with $3.3 million ($0.27 per share) in 1999. The decline resulted from increased interest costs associated with the funding of business acquisitions and the recognition of the Company's proportionate share of the losses of Iceberg Media.com (YIC-CDNX).

Radio

Operating results in Radio improved for the seventh consecutive year in 2000, with operating earnings growing by 40% to $8.2 million from $5.9 million a year earlier.

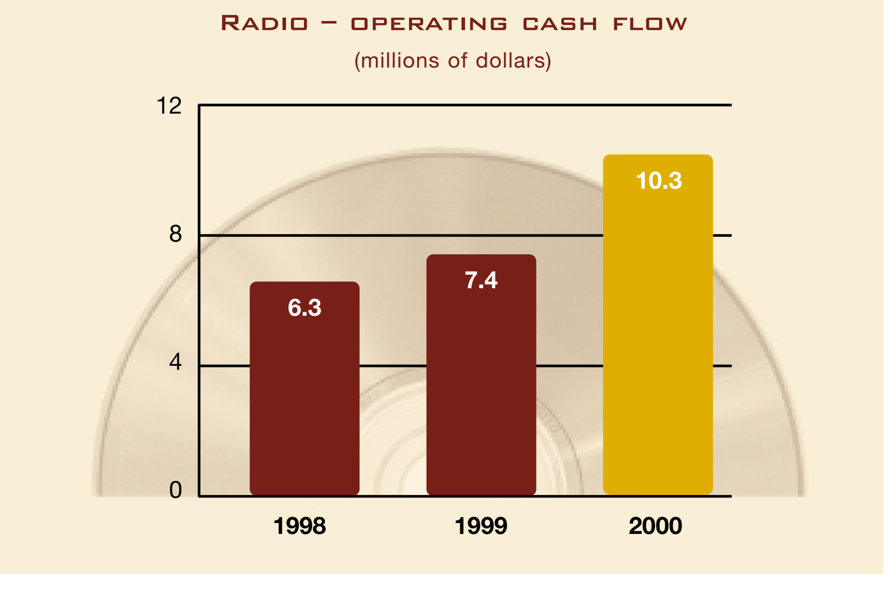
Revenue increased from $25.1 million in 1999 to $31.9 million in 2000. Most of the improvement took place as a result of the acquisition of VOCM Radio Newfoundland Limited, which was acquired in May 2000. Significant revenue improvement was also realized in the Edmonton, Halifax and Moncton markets.

Operating cash flow rose from $7.4 million in 1999 to $10.3 million in 2000. Cash operating margins improved from 29% to 32% on a year-over-year basis. This reflects the synergies arising from acquisitions together with strict cost control.

During the year the Company was successful in its application for a new FM license in Moncton, New Brunswick. The new station, XL96 was launched in November 2000. Looking ahead to 2001, having VOCM for a full year and the new station in Moncton ensures the Radio Division will again post further revenue growth.

The offer to purchase the remaining 67% of Humber Valley Broadcasting in Newfoundland is currently before the Canadian Radio-television and Tele-communications Commission ("CRTC"). Approval is expected in the second quarter of 2001.

In the fall of 2000 the Company made a presentation to the CRTC for a license in Vancouver. The decision on this license application is expected in the spring of 2001. The Company has also submitted an application for a license in Ottawa for which hearings have not yet been held.



Management's
Discussion and Analysis (continued)

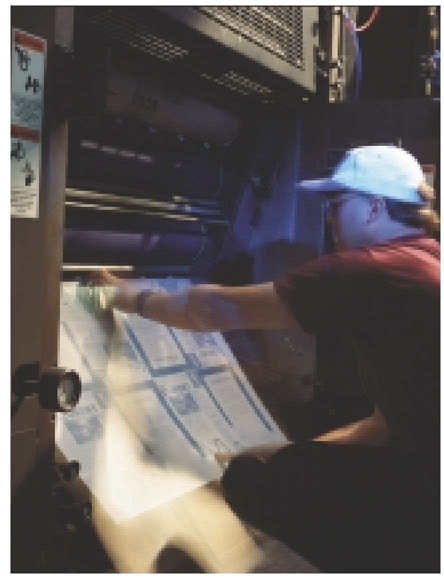
Publishing and Printing

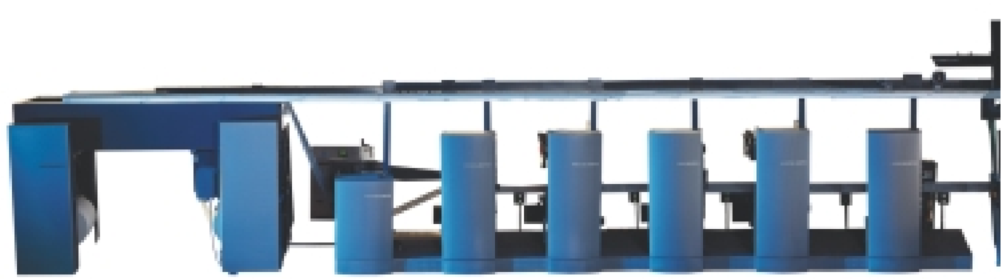
Operating earnings improved from $2.7 million in 1999 to $3.7 million in 2000 on revenue growth of 44%. Operating cash flow reached $5.5 million in 2000, a 42% increase over the $3.9 million level of the previous year.

This was the first full year of operations of the Print Atlantic Division, which is comprised of three predecessor companies — Atlantic Nova Print Company Incorporated, McCurdy Printing Limited and T.K. Printing Limited (eleven months). Newfoundland Capital Corporation is now a dominant commercial printer in Atlantic Canada.

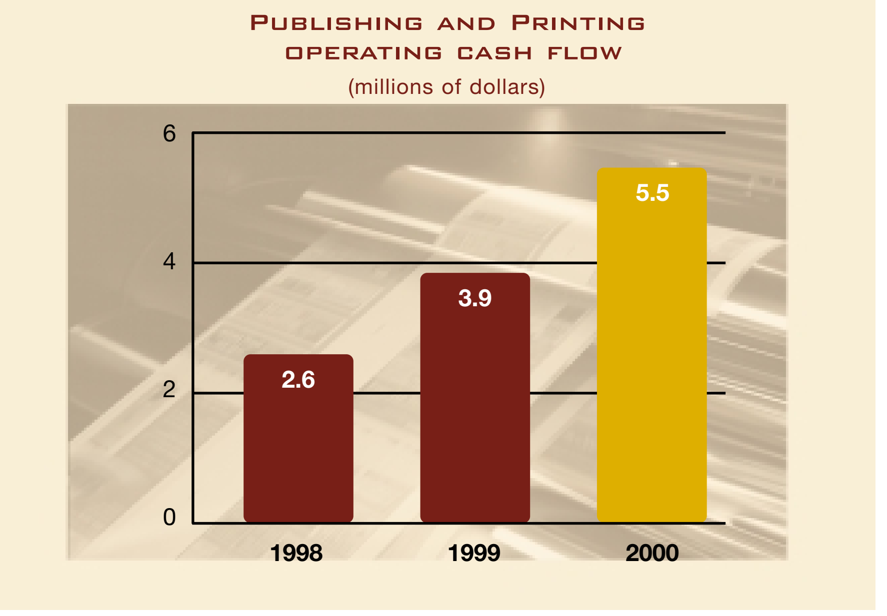
To further solidify market position, the Company has invested in a new heat-set web press, based in Dartmouth, Nova Scotia, to meet the needs of many Atlantic Canadian companies that currently ship printing jobs outside the region.

Subsequent to year-end, the Company acquired Centennial Print & Litho Limited in Fredericton, New Brunswick. This will strengthen its position in Atlantic Canada and allow opportunities for expansion into the Northeastern United States market.





Heidelberg M-130 5-colour heat-set web press



Liquidity and Capital Resources

The Company's cash flow from operations was $10.1 million in 2000, a 43% increase from the 1999 level of $7.1 million due to the strong performance in each operating segment.

Significant uses of cash included business acquisitions of $25.8 million, equity investments of $0.9 million, property and equipment additions of $9.8 million (net of the associated investment tax credits of $4.1 million), and stock repurchases of $2.5 million.

Of its total credit facilities of $58.7 million at December 31, 2000, the Company had $31.7 million of long-term debt (of which $0.3 million is current) and $12.4 million of current bank indebtedness outstanding.

The working capital deficiency at December 31, 2000 was $2.3 million, a $2.4 million decline from last year.

Capital Expenditures

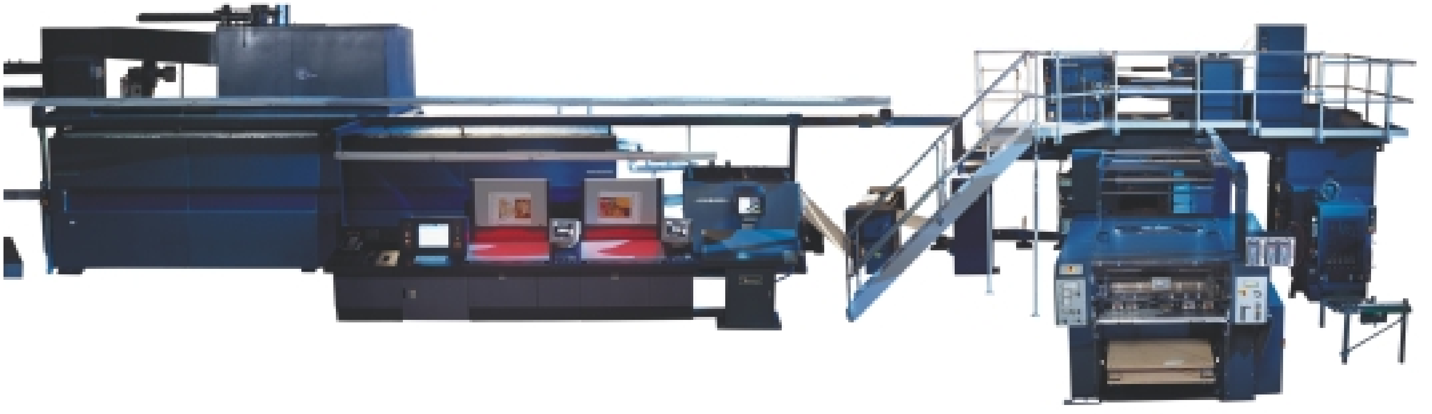
Capital expenditures amounted to $9.8 million in 2000 (net of investment tax credits), up from $2.6 million in 1999. The Radio Division accounted for $1.8 million of the 2000 expenditures, of which approximately $1.4 million related to the launch of the new Moncton FM station and the conversion of the stations in Gander and Grand Falls-Windsor, Newfoundland to FM. Publishing and Printing accounted for $8.5 million and at the Corporate level, there were net proceeds from disposal of $0.5 million. The capital budget for 2001 amounts to $2.5 million. No major capital purchases are planned.

Capital Employed

Assets at December 31, 2000 totaled $140.4 million, up from $100.5 million the previous year. The Radio Division accounted for 50% of total assets in 2000, Publishing and Printing 32%, and Corporate and other 18%.

The year-end capital structure consisted of 50% equity ($70.1 million) and 50% debt ($70.3 million). This compares to 70% equity ($70.1 million) and 30% debt ($30.4 million) at the end of 1999. The total debt-to-equity ratio increased in 2000 to 1:1 from 0.4:1 the previous year.

Capital stock decreased during 2000 by $1.1 million. The Company repurchased and cancelled 278,000 shares at a total cost of $2.5 million pursuant to a Normal Course Issuer Bid. At year-end, the Company was authorized



Management's
Discussion and Analysis (continued)

to acquire another 594,250 shares before December 27, 2001. The average number of shares outstanding during the year decreased to 11,947,000 from 12,189,000 in 1999.

Risks and Opportunities

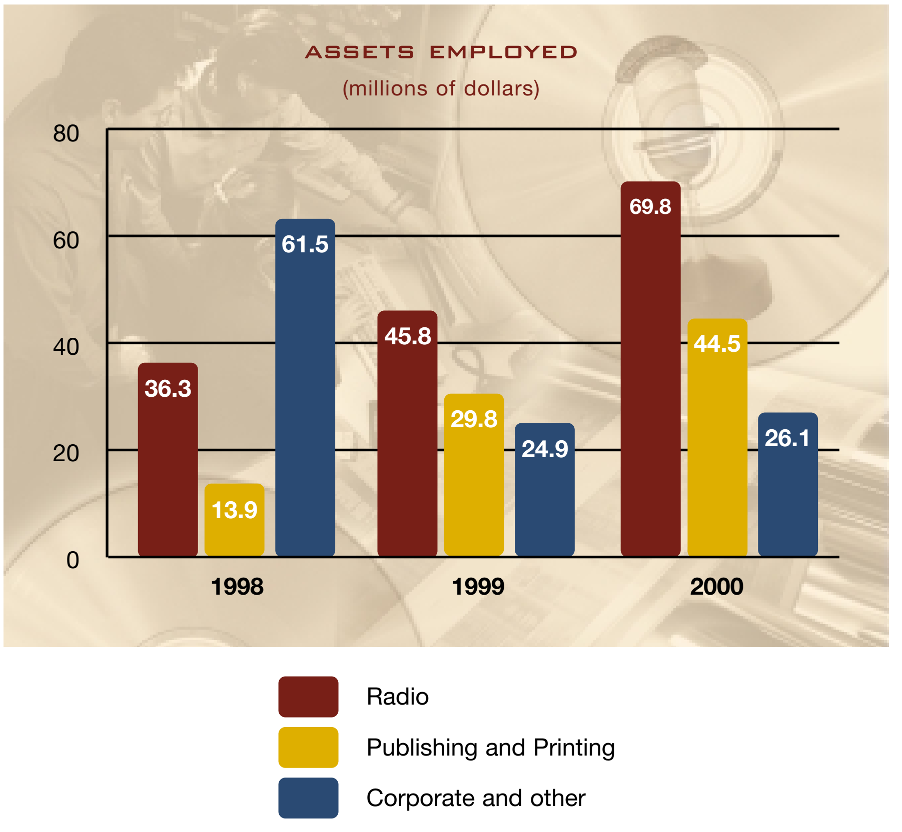
The Company's revenues are derived primarily from the sale of advertising directed at retail consumers and printing services provided to both individuals and corporations. There is a risk of reduced profitability should the retail sector experience a significant downturn. However, the Company retains a degree of geographic and sectoral diversification in radio, publishing, and printing.

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 Company is in Local Management Agreements (LMAs) in Halifax, Charlottetown and

Thunder Bay. The CRTC has indicated that it will review all existing LMAs by December 31, 2001. The Thunder Bay LMA has been renewed to 2004. The LMAs in Halifax and Charlottetown will be reviewed by the CRTC before the end of the year.

The Company's proportionate share of Iceberg Media.com ("Iceberg") is now at 19%, down from 26% in the prior year as a result of Iceberg issuing special warrants pursuant to a public offering. The Company invested a further $1.0 million during the public offering. Iceberg expanded its equity investors to include Standard Broadcasting, the largest privately owned multi-media company in Canada, which currently owns 19%. Iceberg is Canada's leading streaming media broadcaster which



syndicates and streams a variety of audio and video entertainment for the 19 – 34 demographic. The financial success of Iceberg is dependant upon the size and speed with which it can grow its audiences and attract advertising revenue.

During the year the Company purchased The Coupon Network Limited, an online coupon business. This is still in a start-up stage, however, once the business model proves successful in the Nova Scotia marketplace, it may be expanded to other areas of Canada.

These investments position the Company to generate revenue from Internet advertising as organizations shift a portion of their advertising budgets from traditional mediums to the Internet.

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 ten years of the first lease renewal term which commenced January 1, 2001. 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 growth that has been experienced in existing Radio properties is expected to continue. Further growth is anticipated from requests to secure new licenses through the CRTC licensing process and by acquisitions such as Humber Valley Broadcasting. The Company's Publishing and Printing Division has been successful for generations and the recent investment in a heat-set web press will protect its dominance in Atlantic Canada. The Company is confident that the upcoming year will be successful.

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, 2000 and 1999 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, 2000 and 1999 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 8, 2001

Chartered Accountants

Consolidated Statement of Income — For the years ended December 31

(thousands of dollars)		2000	1999
Revenue	$	**77,660**	58,317
Other income		**389**	859
		78,049	59,176
Operating expenses		**64,442**	49,364
Earnings before undernoted items		**13,607**	9,812
Depreciation		**(3,370)**	(2,055)
Amortization		**(1,497)**	(1,022)
Operating earnings		**8,740**	6,735
Interest (note 6)		**2,194**	360
Income before undernoted items		**6,546**	6,375
Income tax expense (note 9)		**2,887**	2,971
Income before the following		**3,659**	3,404
Equity in loss of associated company		**(1,174)**	—
Non-controlling interest in subsidiary's earnings		**(155)**	(86)
Net income	$	**2,330**	3,318
Earnings per share			
Basic and fully diluted	$	**0.20**	0.27

See accompanying notes to consolidated financial statements

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

(thousands of dollars)		2000	1999
Retained earnings, beginning of year	$	**25,490**	24,334
Net income		**2,330**	3,318
Dividends		**—**	(1,215)
Repurchase of capital stock (note 8)		**(1,403)**	(947)
Retained earnings, end of year		**26,417**	25,490
Capital stock (note 8)		**43,645**	44,630
Total shareholders' equity	$	**70,062**	70,120

See accompanying notes to consolidated financial statements

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

(thousands of dollars)		2000	1999
Operating Activities			
Operating earnings	$	8,740	6,735
Items not involving cash			
Depreciation and amortization		4,867	3,077
Other		(490)	141
Cash flow from operations before interest and taxes		13,117	9,953
Interest paid		(2,194)	(360)
Current taxes paid		(820)	(2,518)
Cash flow from operations		10,103	7,075
Change in non-cash working capital relating to operating activities		(363)	(4,138)
		9,740	2,937
Financing Activities			
Long-term debt borrowings		30,500	—
Long-term debt repayments		(1,186)	(156)
Issuance of capital stock (note 8)		132	44
Repurchase of capital stock (note 8)		(2,520)	(1,995)
Dividends		—	(1,215)
		26,926	(3,322)
Investing Activities			
Instalment receipts and note receivable		491	45,688
Property and equipment additions, net		(9,846)	(2,092)
Investment tax credits recoverable		(4,074)	—
Business acquisitions (note 2)		(25,804)	(22,250)
Investments, at equity		(916)	(4,562)
Other		(461)	821
		(40,610)	17,605
Change in non-cash working capital relating to investing activities		—	(16,972)
		(40,610)	633
(Decrease) increase in cash position during the year		(3,944)	248
Bank indebtedness, beginning of year		(8,431)	(8,679)
Bank indebtedness, end of year	$	(12,375)	(8,431)

See accompanying notes to consolidated financial statements

Consolidated Balance Sheet — As at December 31

(thousands of dollars)		2000	1999
ASSETS			
Current assets			
Short-term investments, at market value	$	**6,708**	5,243
Receivables		**18,238**	14,457
Note receivable		**957**	960
Inventories		**1,802**	1,157
Prepaid expenses		**876**	1,034
Total current assets		**28,581**	22,851
Property and equipment, net (note 3)		**35,500**	24,334
Note receivable (note 4)		**4,000**	4,488
Investments, at equity (note 2)		**5,021**	5,279
Other assets (note 5)		**12,069**	8,029
Licenses, net of amortization of $6,263,000 (1999 - $5,149,000)		**46,990**	28,876
Goodwill, net of amortization of $2,218,000 (1999 - $1,975,000)		**8,226**	6,635
	$	**140,387**	100,492
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness (note 6)	$	**12,375**	8,431
Accounts payable and accrued liabilities		**17,599**	13,308
Income taxes payable		**534**	501
Current portion of long-term debt (note 6)		**324**	499
Total current liabilities		**30,832**	22,739
Long-term debt (note 6)		**31,372**	883
Accrued pension obligations (note 7)		**4,920**	5,639
Future income taxes (note 9)		**2,610**	675
Non-controlling interest in subsidiary		**591**	436
Shareholders' equity		**70,062**	70,120
	$	**140,387**	100,492

See accompanying notes to consolidated financial statements

On behalf of the Board:

Director

Director

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 presentation

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) Property and equipment

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%

Investment tax credits related to the acquisition of property and equipment are deducted from the cost of the related assets when there is reasonable assurance that the credits will be realized.

(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) Employee benefit plans

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the recognition, measurement and disclosure of employee future benefits, including pension and other retirement benefits. This requires the use of current discount rates as opposed to long-term discount rates in determining the accrued benefit obligation. The

1. Summary of significant accounting policies (continued)

Company has elected to recognize this change in accounting on a prospective basis. As a result of adopting this policy, a transitional asset of $2,427,000 will be amortized over the expected average remaining service life of the plan participants and pension expense for the year was decreased by $61,000.

In valuing its defined benefit 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.

The Company offers a defined contribution plan to all its employees. The Company matches employee contributions. The Company's portion is recorded as compensation expense when contributions are made to the plan.

As part of the Company's stock-based compensation plans, the Company matches a portion of employees' contributions toward the purchase of its Class A Subordinated Voting Shares. The Company's portion is recorded as compensation expense when contributions are made to the plan. The Company also has an executive stock option plan. The proceeds from the exercise of stock options are credited to capital stock when exercised.

(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

Effective January 1, 2000, the CICA changed the accounting standards relating to the accounting for income taxes. The Company has adopted the new recommendations of the CICA and has applied the provisions retroactively without restatement of prior period amounts. Adoption of these recommendations had no impact on the current results or financial position of the Company.

Future income taxes is the cumulative amount of tax applicable to temporary differences between the carrying amount of assets and liabilities and their values for tax purposes. Future income taxes are measured at the substantively enacted tax rates applicable when these differences are expected to reverse. Changes in future income taxes related to the change in tax rates are recognized in income.

2. Business acquisitions and investments

The Company purchased 100% of the shares of T.K. Printing Limited of Moncton in January 2000, 100% of the shares of The Coupon Network Limited of Halifax, and 100% of the assets of VOCM Radio Newfoundland Limited (and its related companies) in May 2000. In the prior year, the Company purchased 100% of the assets of K-ROCK-FM of Edmonton in February 1999 and 100% of the shares of Atlantic Nova Print Company Incorporated and McCurdy Printing Limited of 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)		2000	1999
Licenses	$	**19,228**	11,206
Property and equipment		**4,564**	7,032
Goodwill		**1,834**	4,390
Investment tax credits recoverable		**—**	1,262
Working capital		**1,046**	123
Accrued pension obligations		**—**	(1,078)
Long-term debt		**(1,000)**	(515)
Future income taxes		**132**	(170)
Cash consideration	$	**25,804**	22,250

In 2000 the Company invested $1,000,000 (1999 – $4,600,000) in the shares of Iceberg Media.com. The Company's current ownership is 19%. This investment is accounted for using the equity method with the $6,200,000 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
2000				
Land	$	1,946	—	**1,946**
Buildings		13,684	4,233	**9,451**
Equipment		39,873	15,770	**24,103**
	$	55,503	20,003	**35,500**
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

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 9.3% to 11.8%.

5. Other assets

(thousands of dollars)		2000	1999
Employee share purchase and other loans	$	**3,737**	3,795
Other long-term receivables		**2,615**	2,195
Investment tax credits recoverable		**5,336**	1,262
Deferred costs		**381**	777
	$	**12,069**	8,029

Employee share purchase and other loans are non-interest bearing and payable on demand. Other long-term receivables bear interest at rates ranging from nil to 9.3%.

6. Long-term debt

(thousands of dollars)		2000	1999
Revolving term credit facility of $40 million, renewable annually, currently bearing interest at prime plus 3/4%.	$	**30,000**	—
Capital lease obligations, bearing interest at rates ranging from 5.8% to 9.4%, maturing to 2004.		**500**	807
Other mortgages and loans bearing interest from nil to prime plus 1%, maturing to 2009.		**1,196**	575
		31,696	1,382
Less: Current portion		**324**	499
	$	**31,372**	883

Minimum principal repayments for each of the next five years are as follows:

2001 – $ 324,000
2002 – 221,000
2003 – 292,000
2004 – 212,000
2005 – 577,000

Bank indebtedness bears interest at prime and is due on demand. 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 the revolving term credit facility.

Interest expense for the year included $1,240,000 relating to interest on long-term debt (1999 – $72,000).

7. Employee benefit plans

The Company has two main types of employee benefit plans: pension plans and stock-based compensation plans.

Pension plans

(a) Defined contribution plans
The total expense for the Company's defined contribution plans for the year was $864,000 (1999 – $578,000).

(b) Defined benefit plans
The following summarizes the Company's defined benefit plans:

(thousands of dollars)		2000	1999
Accrued benefit obligation			
Balance at the beginning of year	$	**8,894**	6,937
Current service cost		**306**	184
Interest cost		**488**	500
Benefits paid		**(958)**	(381)
Actuarial gains		**(301)**	(241)
Acquisitions		**—**	1,895
Balance at the end of year	$	**8,429**	8,894
Plan assets			
Fair value at the beginning of year	$	**5,682**	4,599
Actual return on plan assets		**692**	313
Employer contributions		**70**	14
Employee contributions		**9**	10
Benefits paid		**(640)**	(71)
Acquisitions		**—**	817
Fair value at the end of year	$	**5,813**	5,682
Funded status – plan deficit	$	**(2,616)**	(3,212)
Unamortized net actuarial gain		**(52)**	—
Unamortized transitional assets		**(2,252)**	(2,427)
Accrued benefit liability	$	**(4,920)**	(5,639)

Included in the above accrued benefit obligation at year-end is $6,010,000 (1999 – $6,136,000) in respect of plans that are not funded.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

(percentages)	2000	1999
Discount rate	**7.0**	8.0
Expected long-term rate of return on plan assets	**7.0**	8.0
Rate of compensation increase	**4.0**	5.0

7. Employee benefit plans (continued)

The Company's net defined benefit plans (recovery) expense is as follows:

(thousands of dollars)		2000	1999
Defined benefit plans (recovery) expense			
Current service cost, net of employee contributions	$	**297**	174
Interest cost		**488**	500
Expected return on plan assets		**(338)**	(339)
Amortization of net actuarial (gain) loss		**(603)**	12
Amortization of transitional assets		**(175)**	(183)
Net defined benefit plans (recovery) expense	$	**(331)**	164

Stock-based compensation plans

(a) Share purchase plan
The compensation expense related to the Company's share purchase plan was $103,000 for 2000 (1999 – $73,000).

(b) Executive stock option plan
The Company has reserved 1,209,163 Class A Subordinate Voting Shares pursuant to the executive stock option plan. The following summarizes the Company's outstanding stock options, which expire in varying dates from 2001 to 2008:

	2000		1999	
	Number	**Price***	Number	Price*
Balance, beginning of year	**831,500**	**$7.88**	737,500	$7.96
Granted	—	—	100,000	7.25
Exercised	**(17,750)**	**7.45**	(6,000)	7.25
Expired	**(3,750)**	**8.00**	—	—
Balance, end of year	**810,000**	**7.89**	831,500	7.88

* *weighted average exercise price*

The option price per share is determined by the Board of Directors at the time the option is granted but cannot be less than the closing price of the shares on the last trading date preceding the date of the grant. The expiry date of the options is established by the Board of Directors, not to exceed ten years from the date of the grant. Options either vest on the date they are granted or vest over time in the following manner: twenty-five percent vest on the date of granting and twenty-five percent vest on each of the three succeeding anniversary dates.

Total options vested at December 31, 2000 were 679,375 (1999 – 604,000) at a weighted average exercise price of $7.93 (1999 – $7.93).

8. Capital stock

	(thousands)		(thousands of dollars)	
	Issued Shares		**2000**	1999
Capital stock (unlimited number authorized at no par value):				
Class A Subordinate Voting Shares (1999 - 10,887,000)	10,627	$	**42,734**	43,719
Class B Common Shares (1999 - 1,258,000)	1,258		**911**	911
		$	**43,645**	44,630

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 278,000 (1999 – 261,000) of its outstanding Class A Subordinate Voting Shares for a total cost of $2,520,000 (1999 – $1,995,000), pursuant to a Normal Course Issuer Bid. As a result of these share repurchases, capital stock was reduced by $1,117,000 (1999 – $1,048,000) and retained earnings reduced by $1,403,000 (1999 – $947,000).

During the year, the Company issued 17,750 (1999 – 6,000) Class A Subordinate Voting Shares for proceeds of $132,250 (1999 – $43,500) pursuant to the executive stock option plan, as described in note 7.

9. Income taxes

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

(percentages)	**2000**	1999
Combined federal and provincial income tax rate	**44.1**	43.8
Non-deductible amortization and other	**10.6**	9.0
Manufacturing and processing profits deduction	**(10.0)**	(6.2)
Average effective tax rate	**44.7**	46.6

The significant items comprising the Company's net future income tax liability are as follows:

(thousands of dollars)		**2000**	1999
Future income tax assets			
Tax loss carryforwards	$	**467**	—
Accrued pension obligations		**1,968**	2,060
		2,435	2,060
Future income tax liabilities			
Property and equipment		**(2,857)**	(1,739)
Licenses and goodwill		**(2,188)**	(996)
		(5,045)	(2,735)
Net future income tax liability	$	**(2,610)**	(675)

10. 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 Consolidated Schedule of Business Segments.

11. Commitments and contingencies

(a) Operating leases

The Company has total commitments of $1,291,000 under operating leases for properties and equipment. Minimum annual payments for the next five years under these leases are as follows: 2001 – $734,000; 2002 – $358,000; 2003 – $139,000; 2004 – $47,000; and 2005 - $13,000.

(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 $6,500,000. The acquisitions will be financed through existing 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 ten years of the first lease renewal term which commenced January 1, 2001. 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.

Schedule of Business Segments — For the years ended December 31

(thousands of dollars)	2000	1999	1998	1997	1996	1995
Revenue						
Radio	$ **31,855**	25,105	22,216	19,302	16,381	15,995
Publishing and Printing	**42,131**	29,168	24,961	23,886	21,760	21,941
Corporate and other	**3,674**	4,044	4,137	2,620	—	—
	$ **77,660**	58,317	51,314	45,808	38,141	37,936
Operating cash flow						
Radio	$ **10,306**	7,398	6,325	4,252	3,322	618
Publishing and Printing	**5,528**	3,898	2,599	2,853	2,725	2,596
Corporate and other	**(2,717)**	(1,343)	(1,116)	(403)	(744)	(423)
	$ **13,117**	9,953	7,808	6,702	5,303	2,791
Operating earnings (loss)						
Radio	$ **8,229**	5,871	5,217	2,501	1,669	(685)
Publishing and Printing	**3,662**	2,730	1,715	1,835	1,493	1,442
Corporate and other	**(3,151)**	(1,866)	(1,550)	(537)	(958)	(576)
	$ **8,740**	6,735	5,382	3,799	2,204	181
Depreciation and amortization						
Radio	$ **2,042**	1,525	1,147	1,750	1,415	1,307
Publishing and Printing	**2,419**	1,196	884	1,020	1,233	1,149
Corporate and other	**406**	356	298	80	7	16
	$ **4,867**	3,077	2,329	2,850	2,655	2,472
Assets employed						
Radio	$ **69,818**	45,761	36,348	29,891	30,054	31,902
Publishing and Printing	**44,464**	29,791	13,925	14,854	14,582	16,133
Corporate and other	**26,105**	24,940	61,468	44,716	4,159	4,083
	$ **140,387**	100,492	111,741	89,461	48,795	52,118
Capital expenditures, net						
Radio	$ **1,784**	467	648	335	(507)	401
Publishing and Printing	**8,524**	1,745	938	393	358	694
Corporate and other	**(462)**	362	727	1,321	30	323
	$ **9,846**	2,574	2,313	2,049	(119)	1,418

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

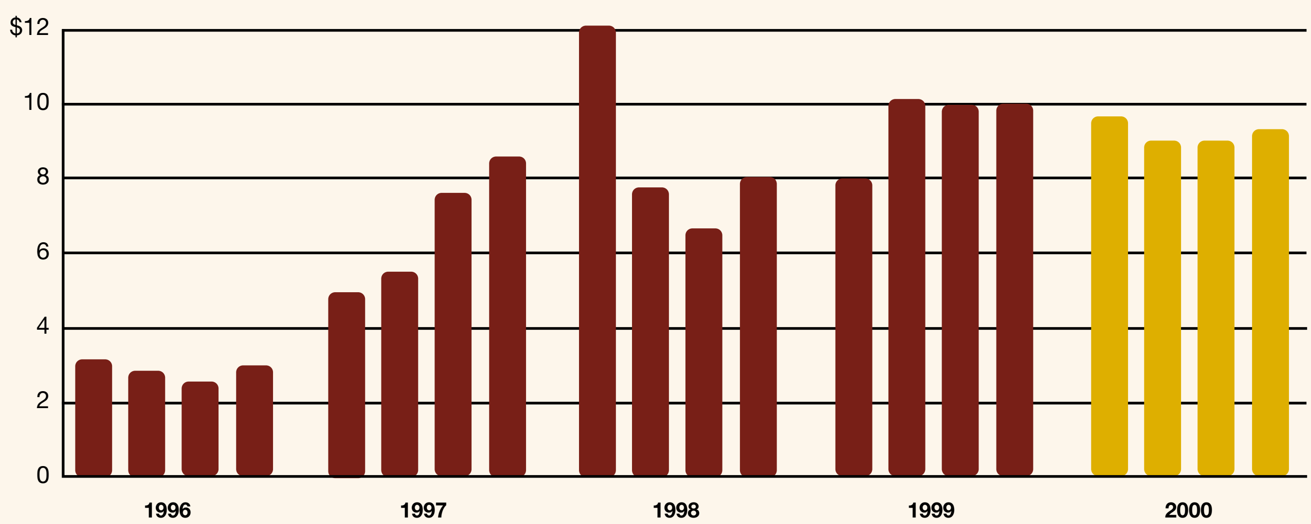
Six-Year Financial Review — For the years ended December 31

	2000	1999	1998	1997	1996	1995
Operations (thousands of dollars)						
Revenue from continuing operations	**$ 77,660**	58,317	51,314	45,808	38,141	37,936
Income (loss) from continuing operations	**2,330**	3,318	2,420	1,799	1,176	(334)
Net income	**2,330**	3,318	36,337	43,642	4,273	3,824
Cash flow from continuing operations	**10,103**	7,075	5,163	5,669	4,862	2,276
Financial position (thousands of dollars)						
Total assets	**$ 140,387**	100,492	111,741	158,676	146,655	152,167
Working capital (deficiency)	**(2,251)**	112	24,302	23,749	(3,204)	(8,183)
Long-term debt	**31,372**	883	485	749	36,729	42,971
Shareholders' equity	**70,062**	70,120	69,968	91,015	49,473	45,698
Ratios						
Current	**0.9:1**	1.0:1	1.7:1	1.4:1	0.9:1	0.9:1
Long-term debt to equity	**0.4:1**	—	—	—	0.7:1	0.9:1
Per share information						
Income (loss) from continuing operations	**$ 0.20**	0.27	0.20	0.16	0.10	(0.03)
Net income	**0.20**	0.27	2.95	3.88	0.37	0.33
Cash flow from continuing operations	**0.85**	0.58	0.42	0.50	0.42	0.20
Dividends	**—**	0.10	5.00	0.10	—	—
Book value	**5.89**	5.77	5.64	7.93	4.36	3.96
Share price, NCC.A (closing)	**9.65**	10.00	8.00	8.65	3.10	3.50
Other information (thousands)						
Shares outstanding at year-end	**11,885**	12,145	12,400	11,474	11,338	11,528
Average shares outstanding	**11,947**	12,189	12,328	11,249	11,474	11,668

Quarterly Highlights

(thousands of dollars, except per share information)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2000					
Operations					
Net income	$ 475	874	317	664	2,330
Cash flow from operations	1,669	2,516	1,910	4,008	10,103
Per share information					
Net income	0.04	0.07	0.03	0.06	0.20
Cash flow from operations	0.14	0.21	0.16	0.34	0.85
1999					
Operations					
Net income	$ 287	1,084	599	1,348	3,318
Cash flow from operations	1,069	1,928	1,498	2,580	7,075
Per share information					
Net income	0.02	0.09	0.05	0.11	0.27
Cash flow from operations	0.09	0.16	0.12	0.21	0.58

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 & COO
Newfoundland Capital Corporation

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

Robert G. Steele
President & COO

A. Robert Inkpen
Vice President, Finance & Secretary

Scott G. M. Weatherby
Corporate Controller

Linda A. Emerson
Assistant Secretary

Radio

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

Publishing and Printing

Print Atlantic
Dartmouth, Nova Scotia
Dan 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 Computershare Trust Company of Canada at its offices in Toronto, Montreal and Halifax. For shareholder account inquiries, please write to:
Newfoundland Capital Corporation
c/o Computershare
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, Tuesday, May 1, 2001 in the Bluenose Room, Delta Halifax, 1990 Barrington Street, Halifax, Nova Scotia.

N E W F O U N D L A N D   C A P I T A L
C O R P O R A T I O N   L I M I T E D

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