NEWFOUNDLAND CAPITAL CORPORATION LIMITED

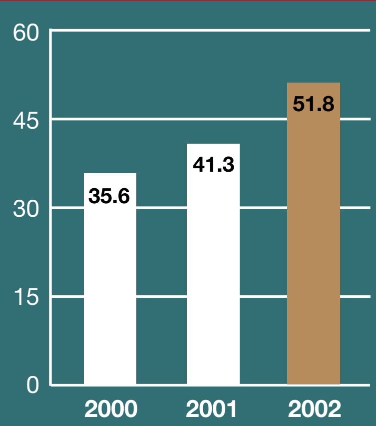
ANNUAL REPORT 2002

Contents

Financial Highlights

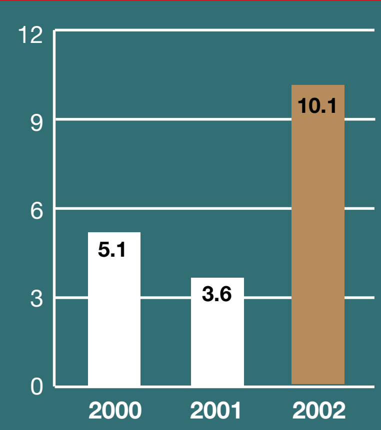
(millions of dollars, except per share information)		**2002**	2001	2000
Operations				
Revenue	$	**51.8**	41.3	35.6
Income (loss) from continuing operations		**5.0**	(4.2)	1.0
Income from continuing operations, excluding restructuring charges		**5.0**	0.8	1.0
Net income (loss)		**8.9**	(3.8)	2.3
Financial position				
Total assets	$	**147.9**	136.5	140.4
Long-term debt		**30.2**	31.8	31.4
Shareholders' equity		**74.3**	65.3	70.1
Per share information				
Income (loss) from continuing operations	$	**0.43**	(0.36)	0.09
Income from continuing operations, excluding restructuring charges		**0.43**	0.07	0.09
Net income (loss)		**0.75**	(0.32)	0.20
Book value		**6.30**	5.54	5.89
Share price, NCC.A (closing)		**8.50**	8.50	9.65

REVENUE



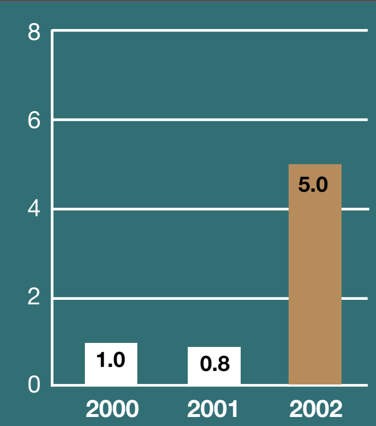
Revenue growth primarily due to Alberta expansion.

OPERATING EARNINGS
(excluding restructuring charges)



Improved operating margins drove earnings growth.

INCOME FROM CONTINUING OPERATIONS
(excluding restructuring charges)



Income improved $4.2 million.

Report to Shareholders

We are pleased to report that 2002 has been a successful year for Newfoundland Capital Corporation Limited.

The composition of our business changed dramatically in 2002 as the Company transformed into a significant operator in Canadian broadcasting. In April we concluded the largest radio expansion in our history with the acquisition of 19 licences in Alberta, increasing our presence to 42 radio stations with 57 broadcast licences across the country. This was followed in July by the divestiture of the Publishing and Printing Division. We have effectively executed our strategy and we intend to maintain our focus on opportunities that will compliment our current holdings.

The financial results have improved substantially this year over 2001. Net income was $8.9 million ($0.75 per share) as compared to last year's loss of $3.8 million ($0.32 per share), a $12.7 million improvement. Adjusting for discontinued operations and the restructuring charges, income from continuing operations was $5.0 million ($0.43 per share), $4.2 million better than the 2001 income of $0.8 million ($0.07 per share). Solid results in Edmonton and Halifax contributed to this year's exceptional performance, as did improved operating margins in Moncton and in Newfoundland and Labrador.

Our immediate efforts are focused on the new station start-ups in Calgary and Ottawa, along with improving results and strengthening our position at the newly acquired licences in Alberta. *The Breeze 103.1 FM* in Calgary went live last August with a new adult contemporary/smooth jazz format and has been very well received. All indications point to a very bright future in this market. This February, *HOT 89.9 FM* hit the airwaves in Ottawa with a young-skewing contemporary hit radio format and, although still early, preliminary indications are that this station will do well.

We are very encouraged that the momentum evident in the last half of 2002 has carried over into the first quarter of 2003, despite uncertain economic conditions. As we move forward, we will continue to improve, strengthen and streamline all our operations to maximize shareholder value.

The major contributors to the success of Newfoundland Capital over the years have been the dedication and professionalism demonstrated by all our employees and the consistent support of our audience and customers. We very much appreciate their loyalty and thank them sincerely.

Robert G. Steele
President and
Chief Executive Officer

Harry R. Steele
Chairman

Management's Discussion and Analysis

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and related notes contained in this 2002 Annual Report.

CORPORATE OVERVIEW

Newfoundland Capital Corporation Limited (NCC) operates in the radio broadcasting industry. It has 42 radio stations (including the new station launched in Ottawa, Ontario subsequent to year end) and 15 repeater locations for a total of 57 radio broadcast licences throughout Canada, with a significant presence in Alberta and Atlantic Canada. The Company broadcasts in a variety of formats depending on each market's needs. The majority of NCC's revenue is advertising-based and therefore subject to economic fluctuations; however, almost half of its revenue is either generated in sole service markets or markets with strategic sales agreements thus adding stability to the revenue streams. Sales are made directly by the Company's sales staff and through advertising agencies. The shares of NCC trade on the Toronto Stock Exchange under the symbols NCC.A and NCC.B.

INDUSTRY OVERVIEW

Radio stations generate revenue by selling advertising airtime to clients, who are primarily in the retail industry. Companies compete for local and national advertising revenue by developing listener franchises within desirable demographic segments in their local market. This requires competitive competence in the areas of station programming, technology, community relations and sales promotion. In most medium and major radio markets, each station is rated in the spring and fall to determine how much of the listening public tune into a Company's station(s). The better a station is rated, the more revenue it can attract from both local and national advertisers. The radio industry normally accounts for 12% to 13% of the $7.5 to $8.0 billion of major media advertising dollars spent in Canada. Due to the fixed cost nature of the radio industry, revenue fluctuations directly impact operating earnings. Broadcast licences are governed by the Canadian Radio-television and Telecommunications Commission (CRTC) and normally have a licence term of seven years. Renewal of these licences is not normally withheld unless there are serious violations of CRTC regulations.

BUSINESS AND LICENCE ACQUISITIONS AND DISPOSALS

The Company finalized its most important expansion in history on April 29, 2002 when it received approval from the CRTC to acquire 19 radio licences in the Province of Alberta for $30.7 million from Télémédia Radio Inc., in accordance with an agreement with Standard Radio Inc., who retained a 24% interest in these licences. In the prior year the Company acquired the remaining two-thirds interest in the shares of Humber Valley Broadcasting Company

Limited of Newfoundland and Labrador in April, 100% of the assets related to the FM station CHNO in Sudbury, Ontario in November and 50% of the shares of Sun Radio Limited of Halifax, Nova Scotia in December. These acquisitions were accounted for as purchases and, accordingly, the consolidated statement of income includes the results of operations from their respective acquisition dates.

In its efforts to become more focused, the Company sold its Publishing and Printing Division on July 25, 2002 to a newly incorporated company, Optipress Inc. (TSX – OPP), which completed its Initial Public Offering on that date. The transaction was effective June 30, 2002. This reportable segment has been accounted for as discontinued operations. Prior periods have been restated to reflect the discontinued operations accounting treatment. Additional information on discontinued operations is provided in Note 3 to the consolidated financial statements.

During the sale of the Publishing and Printing segment, the Company retained a 20% interest in Optipress Inc. The Company will account for this investment using the equity method by recognizing its proportionate share of net income as long as the Company exercises significant influence.

CONSOLIDATED OPERATING RESULTS

				Growth	
(thousands of dollars)		**2002**	2001	Total	Organic
Revenue					
Radio	**$**	**48,116**	37,428	29%	8%
Corporate and other		**3,710**	3,857	(4%)	(4%)
	$	**51,826**	41,285	26%	7%

Consolidated revenue from continuing operations was $51.8 million, a 26% improvement over last year's $41.3 million. Radio revenue has risen 29% to $48.1 million. The acquisitions described above contributed 21% of the revenue growth. Included in this growth are the results from the new FM station in Calgary – *The Breeze, 103.1 FM* that the Company launched on August 30. The remaining 8% resulted from existing station growth. This organic growth was a result of improved economic conditions and consistent favorable ratings for our Edmonton and Moncton properties. Corporate and other had revenue of $3.7 million, down slightly from the prior year due to the sale of unprofitable non-core assets.

Operating expenses are up from $34.3 million to $39.8 million. The aforementioned business and licence acquisitions were primarily responsible for this increase. Increased revenue also caused an increase in direct sales costs.

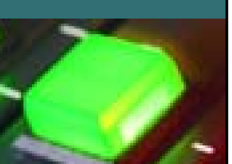
(thousands of dollars)		2002	2001	Growth Total	Growth Organic	% of Revenue 2002	% of Revenue 2001
Operating cash flow* before restructuring charges							
Radio	$	**15,519**	11,105	40%	28%	32%	30%
Corporate and other		**(2,770)**	(4,075)	32%	32%	–	–
	$	**12,749**	7,030	81%	63%	25%	17%

Operating cash flow before restructuring charges increased by $5.7 million to $12.7 million for the year. Radio operating cash flow has continued to improve, growing to $15.5 million, up from $11.1 million last year. Radio cash operating margins increased from 30% to 32% reflecting revenue growth in the Edmonton and Moncton markets, and operating improvements in Newfoundland and Labrador where management has both increased revenue and reduced operating costs. The net operating cash outflow from Corporate and other has decreased from $4.1 million to $2.8 million as the prior year included the impact of unprofitable non-core assets of $0.9 million.

Depreciation and amortization expense of $2.1 million is lower than the $2.8 million in the prior year as a result of the adoption of the new accounting standard for goodwill and other intangible assets. Excluding the impact of the new accounting policy, depreciation and amortization would have been constant year-over-year.

(thousands of dollars)		2002	2001
Operating earnings* (loss) before restructuring charges			
Radio	$	**13,892**	8,542
Corporate and other		**(3,790)**	(4,919)
	$	**10,102**	3,623

**Operating cash flow is defined as operating earnings excluding depreciation, amortization and other non-cash operating activities. Operating earnings is defined as income from continuing operations excluding restructuring charges, interest, equity income (loss), income taxes, and non-controlling interest. Both these measures are not defined by Generally Accepted Accounting Principles and are not standardized for public issuers. These measures may not be comparable to similar measures presented by other public enterprises. The Company has included these measures because it believes certain investors use them as measures of the Company's financial performance.*



Operating earnings before restructuring charges were $10.1 million as compared to $3.6 million a year ago. Radio operating earnings were $13.9 million – a 63% improvement over 2001, of which 9% related to the change in accounting policy while the remainder resulted from business and licence acquisitions and improved operating cash flow.

The restructuring charges of $6.7 million ($5.1 million net of tax recovery) in the prior period were primarily the write-down of the Company's equity investment in Iceberg Media.com to fair market value. Since that time the Company has fully divested of this investment.

Interest expense has remained constant with the prior period. Interest rates and average debt balance were comparable to 2001.

The Company's share of Optipress Inc.'s net income is $0.3 million. In the prior year the Company recognized its proportionate share of Iceberg Media.com's net loss up until the investment was written down to fair market value.

The effective income tax rate of 42% reflects Canadian statutory tax rates based on allocations amongst various provincial jurisdictions. This provision includes large corporations tax. The prior period tax recovery was a result of the net loss which was directly attributable to the restructuring charges.

Non-controlling interest in subsidiaries' earnings represents the 24% that Standard Radio Inc. holds in the 18 rural Alberta licences and the Calgary licence and the 38% that minority shareholders have in the Moncton, New Brunswick licences. This has increased over the prior year as the Alberta licences were acquired during 2002.

				Basic Earnings Per Share	
(thousands of dollars except per share data)		**2002**	2001	**2002**	2001
Net income (loss)	**$**	**8,866**	(3,778)	**0.75**	(0.32)
Net income (loss) from continuing operations		**5,024**	(4,238)	**0.43**	(0.36)
Net income from continuing operations, excluding restructuring charges		**5,024**	839	**0.43**	0.07

Net income of $8.9 million is a significant improvement over the prior year's net loss due to the absence of any restructuring charges, the gain on sale of the Publishing and Printing Division and improved operating results. The improvement in net income from continuing operations, excluding restructuring charges, was directly attributable to improved operating earnings as described above.

Income from discontinued operations represents both the gain on disposal of the Publishing and Printing Division as well as the operating results of this segment net of tax. The after-tax gain on disposal of the Publishing and Printing Division was $3.3 million ($0.28 per share).

SELECTED QUARTERLY FINANCIAL INFORMATION

(thousands of dollars, except per share data)	Quarter 1st	2nd	3rd	4th	Year
2002 Quarterly Results					
Revenue	**$ 8,659**	**13,479**	**13,262**	**16,426**	**51,826**
Income from continuing operations	**121**	**1,621**	**1,060**	**2,222**	**5,024**
Net income	**286**	**2,034**	**4,324**	**2,222**	**8,866**
Earnings per share – basic	**0.02**	**0.17**	**0.37**	**0.19**	**0.75**
– diluted	**0.02**	**0.17**	**0.36**	**0.19**	**0.75**
2001 Quarterly Results					
Revenue	$ 7,536	11,169	10,911	11,669	41,285
Income (loss) from continuing operations	(781)	573	(4,913)	883	(4,238)
Income (loss) from continuing operations, excluding restructuring charges	(781)	573	164	883	839
Net (loss) income	(718)	890	(5,015)	1,065	(3,778)
(Loss) earnings per share – basic and diluted	(0.06)	0.08	(0.43)	0.09	(0.32)

LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash flow from continuing operations increased to $11.6 million from $6.7 million. Significant sources of cash included proceeds from the disposal of the Publishing and Printing Division of $31.0 million which is net of the 20% equity investment. Significant uses of cash included business and licence acquisitions of $30.7 million and net long-term debt repayments of $1.7 million. Cash flow from operations is sufficient to fund sustaining capital requirements.

The Company’s primary credit facility is a $55 million revolving term credit facility which is renewed annually. Subsequent to year end the Company renewed its credit facility which will now mature in April 2004. As a result, no portion of the revolving facility has been classified as current. If the Company renews its facility annually under the same terms and conditions, there will be no fixed repayment schedule. Up until the maturity date, the Company has the option to convert the revolving credit facility to a non-revolving facility, repayable in quarterly installments over two years. The Company has chosen this type of credit facility because it provides flexibility in that there are no scheduled repayment terms and minimizes interest costs. It also allows the Company access to sufficient capital for growth while at the same time allowing the total bank debt balance to be reduced immediately for any positive cash flow from operations. Interest costs are based on either the bank’s prime rate or banker’s acceptance rates. Covenants for the facility require that the Company maintain certain financial ratios. The Company was in compliance with these covenants throughout the year and at year end.

As at December 31, 2002 the Company had $0.7 million of current bank indebtedness outstanding and $30.5 million of long-term debt, of which $0.3 million was current. The Company has also issued standby letters of credit totaling $1.9 million in support of certain long-term liabilities. The working capital deficiency was $1.0 million, up from the prior year working capital deficiency of $0.4 million. The primary reason for the increase in the deficiency is an increase in provision for current income taxes due to the profit in the current year.

Other liabilities increased by $2.5 million primarily due to Canadian Talent Development benefits promised during applications to the CRTC for business and licence acquisitions in 2002. These commitments are recognized at the

time a purchase is approved by the CRTC or when a newly awarded licence initiates broadcasting. These costs form part of the broadcast licence value. In 2003, upon the launch of the Company's new radio station in Ottawa, Ontario, the Company will be committed to fund additional benefits of $5.2 million over a period of six years.

CAPITAL EXPENDITURES

The only major capital purchases in 2002 related to the launch of the new FM station in Ottawa which accounted for $0.5 million of the $1.6 million in capital expenditures. The capital budget for 2003 amounts to $2.5 million, of which a significant portion is related to Ottawa. The Company has not committed to any other major capital purchases at this time.

CAPITAL EMPLOYED

Assets at year end totaled $147.9 million, up from $136.5 million at December 31, 2001 and is primarily due to business and licence acquisitions, net of the Publishing and Printing segment disposal. The capital structure consisted of 50% equity ($74.3 million) and 50% debt ($73.6 million). Total bank debt is 41% of equity, down from the prior year end level of 64%. This reduced leverage allows the Company to consider acquisitions in the $5.0 to $10.0 million range.

This year 220,000 options were issued at a weighted average exercise price of $8.48 and 35,000 options were exercised for gross proceeds of $0.3 million. Pursuant to a normal course issuer bid, the Company acquired 15,000 of its outstanding Class A Subordinate Voting Shares during the year. The weighted average number of shares outstanding remained constant at 11.8 million. The Company renewed its issuer bid and is authorized to acquire another 590,000 shares before January 6, 2004.

CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002 the Company adopted the new standard as recommended by the Canadian Institute of Chartered Accountants ("CICA") for goodwill and other intangible assets. The standard establishes specific criteria for the recognition of intangible assets separately from goodwill. Under the standard, goodwill and indefinite life intangible assets will no longer be amortized but will be subject to impairment tests on at least an annual basis. 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. The Company has performed the required impairment tests and no provision for decline in value is required. The Company ceased to amortize its indefinite life broadcast licences and goodwill effective January 1, 2002. Previously goodwill and licences were amortized on a straight-line basis over forty years.

Management's Discussion and Analysis (continued)

The Company also adopted the CICA's new standard for stock-based compensation and other stock-based payments effective January 1, 2002. The new standard requires either the use of a fair-value-based method to account for certain stock-based compensation arrangements or the pro forma disclosure of the impact of the fair-value-based method on net income and earnings per share. The Company has chosen to disclose the pro forma impact as no compensation expense is recorded when stock options are granted or exercised.

RISKS AND OPPORTUNITIES

The Company's revenue is derived primarily from the sale of advertising directed at retail consumers. This revenue fluctuates depending on the economic circumstances of each market and the Canadian economy as a whole. To partially mitigate this risk, the Company retains a degree of geographic and sectoral diversification.

Regulation by the CRTC creates risks and opportunities. The licencing process creates a significant barrier to entry which provides a degree of protection for the Company in its existing markets. This also makes it difficult to enter new markets because a company either needs to be awarded a new licence (through a public process) or pay significant funds for existing stations in a market. The current regulations with respect to the maximum number of broadcast licences held in any one market, the percentage of foreign ownership as well as other aspects to the regulations could change in the future. The impact of possible changes is not determinable at this time.

In markets where the Company does not hold the maximum allowable broadcast licences, applications will be filed for any new licence calls that are initiated. In markets where the Company holds the maximum, future calls for new licences will increase competition. The markets in which the Company has the maximum number of licences are Moncton, Edmonton and St. John's. There has been a call for new licences in Edmonton and St. John's. The CRTC is expected to make a final decision on the award of any new licences in 2003, with any new stations being on the air sometime in 2004. The Company has taken steps to mitigate this risk of increased competition. First, the formats of two FM stations in St. John's were changed to better serve the advertising market. Second, management's programming team constantly monitors the stations in the Edmonton market to ensure the Company maintains its number one rating. In addition to these strategic moves, the Company expects that the total radio revenue in a particular market should grow sufficiently to absorb any new entrants.

In late 1999, the CRTC ruled that it will no longer allow Local Management Agreements (LMAs) without prior approval. LMAs exist when two or more stations with separate ownership structures operate as one business unit. The fact that the CRTC may not allow licence renewal under LMA structures could give rise to increased operating costs in

those markets in which the Company participates in LMAs - Halifax, Charlottetown and Thunder Bay. In advance of any review the LMA in Halifax was voluntarily terminated. The Thunder Bay LMA was approved in 2000 and renewed to 2004 while the Charlottetown LMA was renewed for one year until 2003. Any future change to the structure in these two markets is not expected to have a material impact on the results, as there was no significant impact when the Halifax LMA was terminated.

The Company is subject to certain fees, which in aggregate are approximately 5% of radio broadcasting revenue. Licence fees are payable to the CRTC, while copyright fees are payable to the Society of Composers, Authors and Music Publishers of Canada (SOCAN) and the Neighbouring Rights Collective of Canada (NRCC) based on rates set by the Copyright Board of Canada. There are also other organizations such as the Canadian Musical Reproduction Rights Agency that have filed new fee proposals with the Copyright Board that, if approved, would apply to commercial radio stations. During hearings held to establish rates, radio industry members are vigorously represented by the Canadian Association of Broadcasters (CAB) to ensure any fees imposed are fair and reasonable. The Company takes an active role by having a member on the Board of the CAB. The impact of future changes to the structure of the existing fees or the implementation of new fees is not determinable at this time.

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.

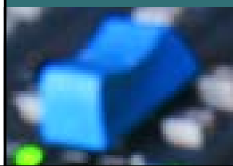
OUTLOOK

The Company has successfully completed a major transition from a conglomerate to a focused broadcasting company. Management has chosen this strategic direction because it has had success acquiring underperforming radio assets and improving upon them. The improvements come about in two ways. First, the product put on air is strategically focused to ensure the stations are highly placed in the local market's ratings. This meets the needs of advertisers and therefore increases revenue. Second, operations are streamlined by removing redundancies and operating inefficiencies.

The Company's growth strategy is to apply for new radio broadcast licences and make strategic acquisitions that make good economic sense. To that end, the Company has a minority interest in certain applications before the CRTC for licences in Kitchener and Toronto. Decisions are expected in 2003. The Company also intends to apply for a new radio broadcast licence in Red Deer, Alberta complimenting coverage in that province.

For 2003 the Company is targeting revenue growth in the 15% to 20% range with same station growth in the 4% to 6% range. The Company feels confident that it can continue to grow both the revenue and the operating cash flow of its existing stations while effectively managing the start-ups in Ottawa and Calgary. The Company expects small operating cash losses at the new stations, achieving profitability for 2004 and beyond.

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties that expectations will not be achieved. Readers are cautioned not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from those expressed in such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



Corporate Profile

Newfoundland Capital Corporation Limited has been in the radio business since 1985. The Company currently owns and operates 42 radio stations, representing a total of 57 broadcast licences across Canada.

ALBERTA

LOCATION	NAME	FORMAT	FREQUENCY
Athabasca	CKBA	Hot Country	850 kHz
Blairmore	CJPR	Hot Country	1490 kHz
	CJEV® (Elkford, BC)	Hot Country	1340 kHz
Brooks	Q13	Hot Country	1340 kHz
Calgary	The Breeze	New Adult Contemporary/Smooth Jazz	103.1 MHz
Camrose	CFCW	Country	790 kHz
Cold Lake	CJCM	Adult Contemporary	1340 kHz
Drumheller	Q91	Hot Country	910 kHz
Edmonton	96X	Adult Contemporary	96.3 MHz
	K-Rock	Classic Rock	97.3 MHz
Edson	CJYR	Adult Contemporary	970 kHz
	CKYR® (Jasper)	Adult Contemporary	1450 kHz
	CKYR-1® (Grande Cache)	Adult Contemporary	1230 kHz
	CFYR® (Whitecourt)	Adult Contemporary	96.7 kHz
High Prairie	CKVH	Hot Country	1020 kHz
Hinton	CIYR	Adult Contemporary	1230 kHz
Slave Lake	CKWA	Hot Country/Adult Contemporary	1210 kHz
St. Paul	CHLW	Hot Country	1310 kHz
Stettler	Q14	Hot Country	1400 kHz
Wainwright	Key 83	Hot Country	830 kHz
Westlock	CFOK	Hot Country	1370 kHz
Wetaskiwin	CKJR	Hot Country	1440 kHz

ONTARIO

Ottawa	Hot 89.9 FM	Contemporary Hit Radio	89.9 MHz
Sudbury	Z103	Contemporary Hit Radio	103.9 MHz
Thunder Bay	KIXX	Hot Adult Contemporary	105.3 MHz

® Repeater

ATLANTIC CANADA

LOCATION	NAME	FORMAT	FREQUENCY
Moncton, NB	C103	Classic Rock	103.1 MHz
	XL96	Hot Country	96.9 MHz
Halifax, NS	KIXX	Country Classics	780 kHz
	Q104	Classic Rock	104.3 MHz
	FM 96.5	Classic Hits	96.5 MHz
Charlottetown, PEI	CHTN	Oldies	720 kHz
Carbonear, NL	CHVO	Country	560 kHz
Clarenville, NL	CKVO	Country	710 kHz
Corner Brook, NL	K-Rock	Classic Rock	103.9 MHz
	K-Rock® (Stephenville)	Classic Rock	103.9 MHz
	CFCB	Country	570 kHz
	CFDL® (Deer Lake)	Country	97.9 MHz
	CFNW® (Port au Choix)	Country	790 kHz
	CFNN® (St. Anthony)	Country	97.9 MHz
Gander, NL	K-Rock	Classic Rock	98.7 MHz
	VOCM	News Talk/Country	650 kHz
Goose Bay, NL	Radio Labrador	Adult Contemporary	1230 kHz
	Radio Labrador® (Churchill Falls)	Adult Contemporary	97.9 MHz
	Radio Labrador® (Wabush)	Adult Contemporary	1340 kHz
Grand Falls-Windsor, NL	K-Rock	Classic Rock	102.3 MHz
	K-Rock®	Classic Rock	101.3 MHz
	K-Rock® (Baie Verte)	Classic Rock	1240 kHz
	VOCM	Country	620 kHz
Marystown, NL	CHCM	Country	740 kHz
St. John's, NL	Radio Newfoundland	Newfoundland Music	930 MHz
	HITS-FM	Contemporary Hit Radio	99.1 MHz
	VOCM	News Talk/Country	590 kHz
	K-Rock	Classic Rock	97.5 MHz
	K-Rock® (Clarenville)	Classic Rock	100.7 MHz
Stephenville, NL	CFSX	Adult Contemporary	870 kHz
	CFGN® (Port aux Basques)	Adult Contemporary	1230 kHz
	CFCV® (St. Andrew's)	Adult Contemporary	97.7 MHz

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the integrity and objectivity of the financial information presented in this Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The financial information presented elsewhere in this report is consistent with that shown in the accompanying consolidated financial statements.

Management has established a system of internal control which it believes provides a reasonable assurance that, in all material respects, the financial information is reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee which reviews the consolidated financial statements and recommends them to the Board for approval. The Audit Committee is composed of three outside directors. The Committee meets periodically with management and independent auditors to review the work of each and to satisfy itself that the respective parties are properly discharging their responsibilities. The auditors have full and unrestricted access to the Audit Committee.

On behalf of the shareholders, the financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards.

February 21, 2003

Robert G. Steele
President and Chief Executive Officer

Scott G.M. Weatherby
Chief Financial Officer and Corporate Secretary

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, 2002 and 2001 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 Canadian generally accepted auditing standards. 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
February 21, 2003

Consolidated Balance Sheet — As at December 31

(thousands of dollars)		2002	2001
ASSETS			
Current assets			
Short-term investments, at market value	$	**855**	2,806
Receivables		**14,559**	19,934
Note receivable		**953**	955
Income taxes recoverable		—	190
Inventories		—	2,740
Prepaid expenses		**594**	1,164
Total current assets		**16,961**	27,789
Property and equipment (note 4)		**17,988**	36,340
Other assets (note 5)		**18,224**	10,861
Broadcast licences, net of amortization of $7,558 (2001 - $7,558)		**94,741**	54,231
Goodwill (note 3)		—	7,323
	$	**147,914**	136,544
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness (note 6)	$	**711**	10,826
Accounts payable and accrued liabilities		**12,384**	16,913
Income taxes payable		**4,573**	—
Current portion of long-term debt (note 6)		**315**	430
Total current liabilities		**17,983**	28,169
Long-term debt (note 6)		**30,173**	31,774
Other liabilities (note 7)		**10,212**	7,716
Future income taxes (note 12)		**4,914**	2,953
Non-controlling interest in subsidiaries		**10,367**	679
Shareholders' equity		**74,265**	65,253
	$	**147,914**	136,544

Commitments and contingencies (note 15)
See accompanying notes to consolidated financial statements

On behalf of the Board:

Director H R Steele   Director Flemming

Consolidated Statement of Income — For the years ended December 31

(thousands of dollars)		2002	2001
Revenue	$	**51,826**	41,285
Other income (expense)		**133**	(540)
		51,959	40,745
Operating expenses		**39,794**	34,273
Earnings before depreciation and amortization		**12,165**	6,472
Depreciation		**1,699**	1,346
Amortization of deferred charges (note 1)		**364**	1,503
Operating earnings before restructuring charges		**10,102**	3,623
Restructuring charges (note 11)		**—**	6,674
		10,102	(3,051)
Interest (note 6)		**1,116**	1,006
(Income) loss on equity accounted investments		**(283)**	563
		9,269	(4,620)
Income tax expense (recovery) (note 12)		**3,911**	(470)
		5,358	(4,150)
Non-controlling interest in subsidiaries' earnings		**334**	88
Income (loss) from continuing operations		**5,024**	(4,238)
Income from discontinued operations (note 3)		**3,842**	460
Net income (loss)	$	**8,866**	(3,778)
Earnings per share (note 13)			
Income (loss) from continuing operations			
Basic	$	**0.43**	(0.36)
Diluted		**0.42**	(0.36)
Net income (loss)			
Basic and diluted		**0.75**	(0.32)

See accompanying notes to consolidated financial statements

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

(thousands of dollars)		2002	2001
Retained earnings, beginning of year	$	**22,032**	26,417
Net income (loss)		**8,866**	(3,778)
Repurchase of capital stock (note 10)		**(66)**	(607)
Retained earnings, end of year		**30,832**	22,032
Capital stock (note 10)		**43,433**	43,221
Total shareholders' equity	$	**74,265**	65,253

See accompanying notes to consolidated financial statements

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

(thousands of dollars)		2002	2001
Operating Activities			
Operating earnings before restructuring charges	$	**10,102**	3,623
Items not involving cash			
Depreciation and amortization		**2,063**	2,849
Other		**584**	558
Operating cash flow before the following		**12,749**	7,030
Restructuring charges paid		**—**	(479)
Interest paid		**(1,116)**	(1,006)
Current taxes (paid) recovered		**(45)**	1,110
Cash flow from continuing operations		**11,588**	6,655
Change in non-cash working capital relating to operating activities		**1,776**	3,352
Cash flow from discontinued operations		**1,718**	818
		15,082	10,825
Financing Activities			
Long-term debt borrowings		**37,000**	5,000
Long-term debt repayments		**(38,716)**	(5,072)
Issuance of capital stock (note 10)		**273**	56
Repurchase of capital stock (note 10)		**(127)**	(1,088)
Other		**(668)**	(162)
		(2,238)	(1,266)
Investing Activities			
Note receivable		**572**	528
Property and equipment additions, net		**(1,620)**	(926)
Investment tax credits recoverable		**168**	2,034
Business and licence acquisitions (note 2)		**(30,660)**	(7,689)
Proceeds from disposition of discontinued operations, net of equity investment (note 3)		**30,986**	—
Deferred charges		**(904)**	—
Other		**(786)**	1,386
		(2,244)	(4,667)
Investing activities of discontinued operations		**(485)**	(3,343)
		(2,729)	(8,010)
Increase in cash position during the year		**10,115**	1,549
Bank indebtedness, beginning of year		**(10,826)**	(12,375)
Bank indebtedness, end of year	$	**(711)**	(10,826)

See accompanying notes to consolidated financial statements

1. Summary of significant accounting policies

The Company is incorporated under the Canada Business Corporations Act and its shares are traded on the Toronto Stock Exchange. Its primary activity is radio broadcasting.

These financial statements have been prepared in accordance with Canadian 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 as well as its proportionate share of assets, liabilities, revenues and expenses of jointly controlled companies. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could be different from those estimates.

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

(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.

(c) Property and equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the following methods and rates:

	Radio	Corporate and other
Method:	Declining balance	Straight-line
Rates:		
Buildings	5%	5%
Equipment	7.5% – 20%	14% – 20%

Investment tax credits related to the acquisition of property and equipment are deducted from the cost of the related assets.

(d) Acquisitions, broadcast licences and goodwill

The cost of acquiring businesses is allocated to the fair value of the related net identifiable tangible and intangible assets acquired. Identifiable intangible assets acquired consist primarily of broadcast licences. The excess of the cost of the acquired businesses over the fair value of the related net identifiable tangible and intangible assets acquired is allocated to goodwill. Broadcast licences are considered indefinite life intangibles and are therefore not subject to amortization.

Costs related to the acquisition of broadcast licences pursuant to applications to the Canadian Radio-television and Telecommunications Commission ("CRTC"), are capitalized as licence costs.

Effective January 1, 2002 the Company adopted the new standard as recommended by the Canadian Institute of Chartered Accountants ("CICA") for goodwill and other intangible assets. The standard establishes specific criteria for the recognition of intangible assets separately from goodwill. Under the standard, goodwill and indefinite life intangible assets will no longer be amortized but will be subject to impairment tests on at least an annual basis. 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. The Company has performed the required impairment tests and no provision for decline in value is required.

The Company has ceased to amortize its indefinite life broadcast licences and goodwill effective January 1, 2002. Previously goodwill and licences were amortized on a straight-line basis over forty years. Pro forma net income and earnings per share for the comparative year are presented below:

(thousands except per share data)		**2002**	2001
Reported net income (loss):	**$**	**8,866**	(3,778)
Add back goodwill and licence amortization		**—**	906
Adjusted net income (loss)	**$**	**8,866**	(2,872)
Basic and diluted earnings (loss) per share:			
Reported net income (loss)	**$**	**0.75**	(0.32)
Add back goodwill and licence amortization		**—**	0.08
Adjusted net income (loss)	**$**	**0.75**	(0.24)

(e) Deferred charges

Deferred charges relating to pre-operating costs and bank financing charges are amortized over the periods to which they relate. In addition, deferred charges include costs related to outstanding broadcast licence applications.

(f) Employee benefit plans

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

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. The excess of the aggregate net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year is amortized over the average remaining service period of active employees of 10 years (2001 – 12 years).

1. Summary of significant accounting policies (continued)

(g) Stock-based compensation

As part of the Company's stock-based compensation plans, the Company matches a portion of employees' payments 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 options are exercised. No compensation expense is recorded when stock options are granted or exercised.

(h) Revenue recognition

Revenue earned from sale of advertising airtime is recognized in the accounts once the broadcasting of the advertisement has occurred. Revenue is recorded net of any agency commissions as these charges are paid directly to the agency by the advertiser.

(i) 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.

(j) Income taxes

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 a change in substantively enacted tax rates are recognized in income in the period of the change.

(k) Earnings per share

Effective January 1, 2001 the Company adopted the treasury method of calculating diluted earnings per share as recommended by the CICA. The Corporation adopted this method on a retroactive basis.

Basic earnings per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are calculated using the weighted average number of shares that would have been outstanding had the relevant outstanding stock options been exercised at the beginning of the year, or their respective grant dates, if later.

2. Business and licence acquisitions

The Company purchased a 76% interest in 19 radio licences in Alberta on April 29, 2002. In the prior period the Company acquired the remaining two-thirds interest in the shares of Humber Valley Broadcasting Company Limited of Newfoundland and Labrador in April, 100% of the assets related to the FM station CHNO in Sudbury, Ontario in November and 50% of the shares of Sun Radio Limited of Halifax, Nova Scotia in December. These acquisitions were accounted for as purchases and the purchase price has been allocated to the fair value of the net assets acquired. The consolidated statement of income includes the results of operations from their respective acquisition dates.

The following summarizes the transactions:

(thousands of dollars)		**2002**	2001
Broadcast licences	$	**40,109**	8,593
Property and equipment		**3,962**	840
Working capital		**(598)**	(454)
Long-term debt		**—**	(245)
Other liabilities		**(3,307)**	(519)
Future income taxes		**—**	74
Non-controlling interest		**(9,506)**	—
		30,660	8,289
Equity investment at date of acquisition		**—**	(600)
Cash consideration	$	**30,660**	7,689

Included in the above is a provision for professional fees and restructuring costs (employee relocation and involuntary termination costs) related to the acquisitions of $943,000 (2001 – $1,102,000) of which $417,000 (2001 – $448,000) remained payable at year end. Included in other liabilities are commitments made to the CRTC for Canadian Talent Development funding.

3. Discontinued operations

The Company completed the sale of its Publishing and Printing Division on July 25, 2002 to a newly incorporated company, Optipress Inc. (TSX – OPP), which completed its Initial Public Offering on that date. The transaction was effective June 30, 2002. As part of the disposal of the business segment the Company retained a 20% equity interest in Optipress Inc. The proceeds from this sale were $31.0 million, which is net of the 20% equity investment. This reportable segment has been accounted for as discontinued operations. Information relating to discontinued operations is summarized as follows:

(thousands of dollars, except per share data)		**2002**	2001
Revenue	$	**26,831**	47,755
Income from operations, net of income taxes of $489 (2001 – $559)		**578**	460
Gain on disposal, net of income taxes of $638		**3,264**	—
Goodwill disposition		**7,323**	—
Earnings per share from discontinued operations			
– Basic		**0.33**	0.04
– Diluted		**0.32**	0.04

Income from operations includes an allocation of interest expense and large corporations tax based upon the segment's capital employed.

4. Property and equipment

(thousands of dollars)		Cost	Accumulated depreciation	Net book value
2002				
Land	$	1,706	—	**1,706**
Buildings		7,577	2,401	**5,176**
Equipment		21,044	9,938	**11,106**
	$	30,327	12,339	**17,988**
2001				
Land	$	2,273	—	2,273
Buildings		15,020	6,390	8,630
Equipment		42,900	17,463	25,437
	$	60,193	23,853	36,340

5. Other assets

(thousands of dollars)		2002	2001
Note receivable, net of current portion	**$**	**2,904**	3,474
Investment, at equity		**8,760**	—
Employee share purchase and other loans		**3,278**	3,399
Investment tax credits recoverable		**2,242**	3,400
Deferred charges		**647**	338
Other		**393**	250
	$	**18,224**	10,861

The note receivable is non-interest bearing and matures in 2007. It is repayable in annual installments of $1 million, which have been discounted at interest rates ranging from 10.3% to 11.8%. During the disposal of the business segment described in Note 3, the Company retained a 20% equity interest in Optipress Inc. which was recorded at $8.5 million, being the proportionate carrying value of the segment at the time of disposal. Employee share purchase and other loans are non-interest bearing and payable on demand. The share purchase loans have a pledge of the related shares purchased as collateral with a market value of $4,165,000 (2001 – $4,165,000).

6. Long-term debt

(thousands of dollars)		2002	2001
Revolving term credit facility of $55 million, renewable annually, maturing April 2003, bearing interest at prime	**$**	**30,000**	31,000
Capital lease obligations, bearing interest at rates ranging from 8.4% to 11.0%, maturing to 2004		**251**	713
Other mortgages and loans bearing interest from nil to prime plus 1%, maturing to 2009		**237**	491
		30,488	32,204
Less: Current portion		**315**	430
	$	**30,173**	31,774

Subsequent to year end the Company renewed its credit facility which will now mature in April 2004. As a result, no portion of the revolving facility has been classified as current. If the Company renews its facility annually under the same terms and conditions, there will be no fixed repayment schedule. Up until the maturity date, the Company has the option to convert the revolving credit facility to a non-revolving facility, repayable in quarterly installments over two years.

Minimum required principal repayments for each of the next five years under the assumption the Company exercises the option to convert to a non-revolving term, are as follows: 2003 – $315,000; 2004 – $7,578,000; 2005 – $15,023,000; 2006 – $7,523,000 and 2007 – $23,000.

Bank indebtedness bears interest at prime and is due on demand. The Company has provided a general assignment of book debts and a first ranking fixed charge demand debenture over all freehold and leasehold real property and all equipment and a security interest and floating charge over all other property as collateral for the bank indebtedness and the revolving term credit facility.

Interest expense related to continuing operations included $854,000 for interest on long-term debt (2001 – $377,000).

7. Other liabilities

(thousands of dollars)		2002	2001
Employee benefit plans (note 8)	$	**5,095**	5,614
Canadian Talent Development commitments related to broadcast licences awarded and acquired, net of current portion		**5,117**	2,102
	$	**10,212**	7,716

The expected payments for the Canadian Talent Development commitments over the next five years are as follows: 2003 – $1,076,000; 2004 – $900,000; 2005 – $850,000; 2006 – $850,000; 2007 – $850,000.

The Company has issued letters of credit totaling $1.9 million in support of certain of these liabilities.

8. Employee benefit plans

(a) Defined contribution plans

The total expense for the Company's defined contribution plans for the year related to continuing operations was $730,000 (2001 – $426,000). The increase in expense is attributed to business acquisitions and the related increase in workforce.

(b) Defined benefit pension plans

The following summarizes the Company's defined benefit plans:

(thousands of dollars)		2002	2001
Accrued benefit obligation			
Balance at the beginning of year	$	**10,629**	8,429
Current service cost		**138**	251
Interest cost		**657**	592
Benefits paid		**(1,212)**	(662)
Actuarial losses		**483**	1,420
Plan amendments		**—**	599
Balance at the end of year	$	**10,695**	10,629
Plan assets			
Fair value at the beginning of year	$	**3,740**	5,813
Actual return on plan assets		**464**	110
Employer contributions		**30**	—
Employee contributions		**4**	12
Benefits paid		**(139)**	(307)
Plan amendments		**—**	(1,888)
Fair value at the end of year	$	**4,099**	3,740
Funded status – plan deficit	$	**(6,596)**	(6,889)
Unamortized net actuarial loss		**3,403**	3,352
Unamortized transitional assets		**(1,902)**	(2,077)
Accrued benefit liability	$	**(5,095)**	(5,614)

Included in the above accrued benefit obligation at year end is $7,750,000 (2001 – $8,048,000) 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)	2002	2001
Discount rate	**6.5**	7.0
Expected long-term rate of return on plan assets	**7.0**	7.0
Rate of compensation increase	**4.0**	4.0

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

(thousands of dollars)		2002	2001
Defined benefit plans expense			
Current service cost, net of employee contributions	$	**134**	239
Interest cost		**657**	592
Expected return on plan assets		**(266)**	(315)
Amortization of net actuarial loss		**234**	109
Amortization of transitional assets		**(175)**	(175)
Net defined benefit plans expense	$	**584**	450

9. Stock-based compensation plans

(a) Share purchase plan

The compensation expense for the Company's share purchase plan related to continuing operations was $136,000 for 2002 (2001- $103,000).

(b) Executive stock option plan

The Company has reserved 1,209,000 Class A Subordinate Voting Shares pursuant to the executive stock option plan of which 45,000 remain available for issuance. 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.

The following summarizes the Company's outstanding stock options which range in exercise price from $7.25 to $8.95, expire at varying dates from 2003 to 2008 and have a weighted average remaining contractual life of 3.1 years (2001 – 2.5 years).

	2002		2001	
	Number	**Price***	Number	Price*
Balance, beginning of year	**913,000**	**$8.02**	810,000	$7.89
Granted	**220,000**	**8.48**	110,000	8.93
Exercised	**(35,000)**	**7.79**	(7,000)	8.00
Balance, end of year	**1,098,000**	**8.11**	913,000	8.02
Total options vested	**912,000**	**8.02**	797,000	7.95

** weighted average exercise price*

The Company adopted the CICA's new standard for stock-based compensation and other stock-based payments effective January 1, 2002. The new standard requires either the use of a fair-value-based method to account for certain stock-based compensation arrangements or the pro forma disclosure of the impact a fair-value-based method would have had on net income and earnings per share. The fair value of the 220,000 stock options issued in 2002 would have reduced net income by $170,000 ($0.01 per share - basic and diluted) had the fair-value-based method been adopted. In accordance with the new standard, the pro forma disclosure does not reflect stock options granted prior to January 1, 2002.

The fair value for options granted during the year was estimated at the date of granting using the Black-Scholes Option Pricing Model with the following assumptions: weighted-average risk-free interest rates of 4.0%; dividend yields of 0.0%; weighted-average volatility factors of the expected market price of the Company's Common Shares of 27.8%; and a weighted-average expected life of the options of 5.0 years.

10. Capital stock

	(thousands)		(thousands of dollars)	
	Issued Shares		**2002**	2001
Capital stock (unlimited number authorized at no par value):				
Class A Subordinate Voting Shares (2001 – 10,515)	10,535	$	**42,522**	42,310
Class B Common Shares (2001 - 1,258)	1,258		**911**	911
		$	**43,433**	43,221

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 15,000 (2001 – 119,500) of its outstanding Class A Subordinate Voting Shares for a total cost of $127,000 (2001 – $1,088,000), pursuant to a Normal Course Issuer Bid. As a result of these share repurchases, capital stock was reduced by $61,000 (2001 – $481,000) and retained earnings reduced by $66,000 (2001 – $607,000). Subsequent to year end the Company received approval under a Normal Course Issuer Bid to repurchase up to 527,000 Class A Subordinate Voting Shares and 63,000 Class B Common Shares in 2003. During the year, the Company issued 35,000 (2001 – 7,000) Class A Subordinate Voting Shares for proceeds of $273,000 (2001 – $56,000) pursuant to the executive stock option plan described in note 9.

11. Restructuring charges

In 2001, the Company recorded a provision for impairment in value of certain investments and undertook certain restructuring activities which included severance and retirement arrangements.

The restructuring charges consist of the following:

(thousands of dollars)		2002	2001
Decline in fair value of investments and advances	$	**—**	5,187
Employee severance and retirement costs		**—**	1,092
Impairment of goodwill		**—**	395
	$	**—**	6,674

12. Income taxes

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

(thousands of dollars except percentages)		2002	2001
Income (loss) from continuing operations before income taxes	$	**9,269**	(4,620)
Combined federal and provincial statutory income tax rate		**40.0%**	43.8%
Provision based on the statutory income tax rate		**3,708**	(2,023)
Increase (decrease) due to:			
Non-deductible portion of capital loss resulting from restructuring charges		**—**	1,970
Large corporations tax, non-deductible amortization and other		**203**	(417)
	$	**3,911**	(470)
Comprised of:			
Current taxes	$	**2,034**	(254)
Future income taxes		**1,877**	(216)
Income tax expense (recovery)	$	**3,911**	(470)

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

(thousands of dollars)		2002	2001
Future income tax assets			
Tax loss carryforwards	$	**482**	293
Investments, at equity		**628**	—
Employee benefit plans		**1,859**	1,961
		2,969	2,254
Future income tax liabilities			
Property and equipment		**(2,085)**	(2,622)
Broadcast licences and goodwill		**(5,798)**	(2,585)
		(7,883)	(5,207)
Net future income tax liability	$	**(4,914)**	(2,953)

13. Earnings per share

(thousands)	2002	2001
Weighted average common shares used in calculation of basic earnings per share	**11,787**	11,810
Incremental common shares calculated in accordance with the treasury stock method	**82**	85
Weighted average common shares used in calculation of diluted earnings per share	**11,869**	11,895

14. Segmented information

The Company has one reportable segment: radio. The radio segment derives its revenue from the sale of broadcast advertising. The reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on operating cash flow and operating earnings. The accounting policies of the segment are the same as those described in the summary of significant accounting policies (note 1). Corporate and other revenue relates to hotel operations and investment income. Details of segment operations are set out below.

(thousands of dollars)		2002	2001
Revenue			
Radio	$	**48,116**	37,428
Corporate and other		**3,710**	3,857
	$	**51,826**	41,285
Operating cash flow before restructuring charges			
Radio	$	**15,519**	11,105
Corporate and other		**(2,770)**	(4,075)
	$	**12,749**	7,030
Operating earnings (loss) before restructuring charges			
Radio	$	**13,892**	8,542
Corporate and other		**(3,790)**	(4,919)
	$	**10,102**	3,623
Depreciation and amortization			
Radio	$	**1,627**	2,526
Corporate and other		**436**	323
	$	**2,063**	2,849
Assets employed			
Radio	$	**124,523**	76,035
Corporate and other		**23,391**	15,452
	$	**147,914**	91,487
Capital expenditures, net			
Radio	$	**1,495**	1,027
Corporate and other		**125**	(101)
	$	**1,620**	926

Effective June 30, 2002, the Company completed the divestiture of its Publishing and Printing segment. The results of this business have been accounted for as discontinued operations in 2002 and prior years. The segment information for 2002 and 2001 has been restated to exclude the effect of operations discontinued.

15. Commitments and contingencies

(a) Operating leases

The Company has total commitments of $4,314,000 under operating leases for properties and equipment. Minimum annual payments for the next five years under these leases are as follows: 2003 – $1,611,000; 2004 – $981,000; 2005 – $802,000; 2006 – $524,000 and 2007 – $228,000.

(b) Business and licence acquisitions

In 2003, upon the launch of the Company's new radio station in Ottawa, Ontario, the Company will be committed to fund Canadian Talent Development commitments of $5.2 million over a period of six years.

(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.

Corporate Information

BOARD OF DIRECTORS

Craig L. Dobbin, O.C.*
Chairman and Chief Executive Officer
CHC Helicopter Corporation

John J. Fleming*
President
Bonanza Energy Ltd.

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

Robert G. Steele
President and Chief Executive Officer
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 AND MANAGEMENT

Harry R. Steele
Chairman

Robert G. Steele
President and Chief Executive Officer

Robert B. Templeton
President, NewCap Broadcasting

Scott G. M. Weatherby
Chief Financial Officer and Corporate Secretary

Linda A. Emerson
Assistant Secretary

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the shares of the Company is the CIBC Mellon Trust Company at its offices in Halifax and Toronto. For shareholder account inquiries:
Telephone: 1-800-387-0825
(toll free in North America)
e-mail inquiries @cibcmellon.com
or write to:
Newfoundland Capital Corporation
c/o CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, ON M5C 2W9

INVESTOR RELATIONS CONTACT

Institutional and individual investors seeking financial information about the Company are invited to contact
Scott G. M. Weatherby,
Chief Financial Officer and Corporate 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, Thursday, May 1, 2003 in the Nova Scotia Rooms C & D, Casino Nova Scotia Hotel, 1919 Upper Water Street, Halifax, Nova Scotia.

Newfoundland Capital Corporation

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