THE POWER OF RADIO

NEWFOUNDLAND CAPITAL CORPORATION LIMITED → ANNUAL REPORT 2004

CORPORATE PROFILE

Newfoundland Capital Corporation Limited is one of Canada's leading small and medium market radio broadcasters with 65 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking.

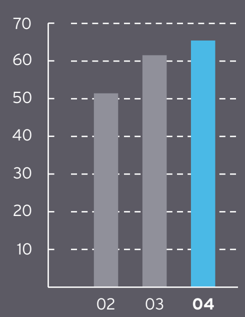
The Company has 35 FM and 30 AM stations spanning the country employing over 500 radio professionals in Canada.

FINANCIAL HIGHLIGHTS

(millions of dollars, except per share information)	**2004**	2003	2002
Operations			
Revenue	**$ 65.4**	61.5	51.4
EBITDA *(defined on page 25)*	**15.2**	13.9	12.2
Income from continuing operations	**10.2**	6.1	5.0
Net income	**10.2**	6.1	8.9
Financial position			
Total assets	**$ 155.7**	160.1	149.4
Long-term debt	**15.1**	26.6	30.2
Shareholders' equity	**86.2**	79.8	74.3
Per share information			
Income from continuing operations	**$ 0.85**	0.51	0.43
Net income	**0.85**	0.51	0.75
Dividends declared	**0.10**	0.10	—
Book value	**7.36**	6.71	6.30
Share price, NCC.SV.A (closing price Dec. 31)	**12.50**	11.50	8.50

REVENUE

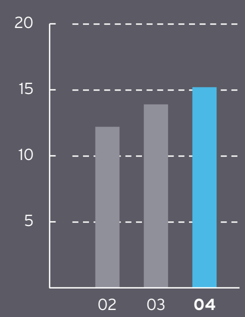
(millions $)



Revenue increased 6.3% from last year as a result of same station growth.

EBITDA

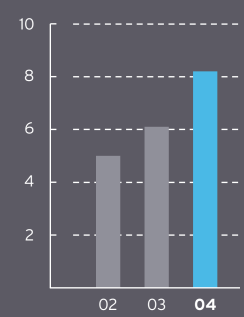
(millions $)



A 9.7% increase in EBITDA was the result of increased revenue and internal cost efficiencies.

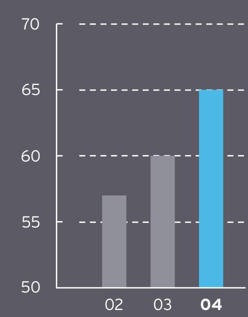
INCOME FROM CONTINUING OPERATIONS

(millions $)



Income from continuing operations increased 34.2% in 2004, excluding the gain on disposal of the equity investment.

NUMBER OF RADIO STATION LICENCES



The Company added a total of five new FM licences to its portfolio in 2004.

USING THE POWER OF RADIO TO CREATE AND SUSTAIN RELATIONSHIPS

We are committed to growing and expanding our radio network by supporting the relationships we have developed with each of our stakeholders.

Listeners → Always communicating

Millions of listeners tune in to our radio stations across Canada each week. We are focused on building our audiences by continuously providing imaginative programming, showcasing Canadian talent and actively promoting local community events.

Employees → Empowering people

We hire the best and the brightest in the Canadian radio industry. Our radio station teams are dedicated to delivering meaningful and compelling radio to our audiences. Each day their enthusiasm and creativity is demonstrated on the air.

Advertisers → Building networks

We are focused on building deep-rooted and long-term relationships with our advertising clients. With up-to-the-minute demographic research and in-house creative teams, we are fully equipped to deliver effective and original advertising programs.

Community → Going further

We are an active participant in locally-driven community and charitable events. Our employees generously give their time to raise millions of dollars each year for a wide variety of non-profit organizations.

The Q Morning Crew provides first-rate entertainment for the Halifax-area market. *(l-r)* B.J. Burke, Lisa Blackburn, Harv Stewart.

TALENT

The power of radio comes from the creativity of our people.

We employ over 500 radio professionals across the country and it is the imagination, skill and motivation of our employees that are the foundation of our success.

Carly Kincaid of Edmonton's 96X.

GROWTH

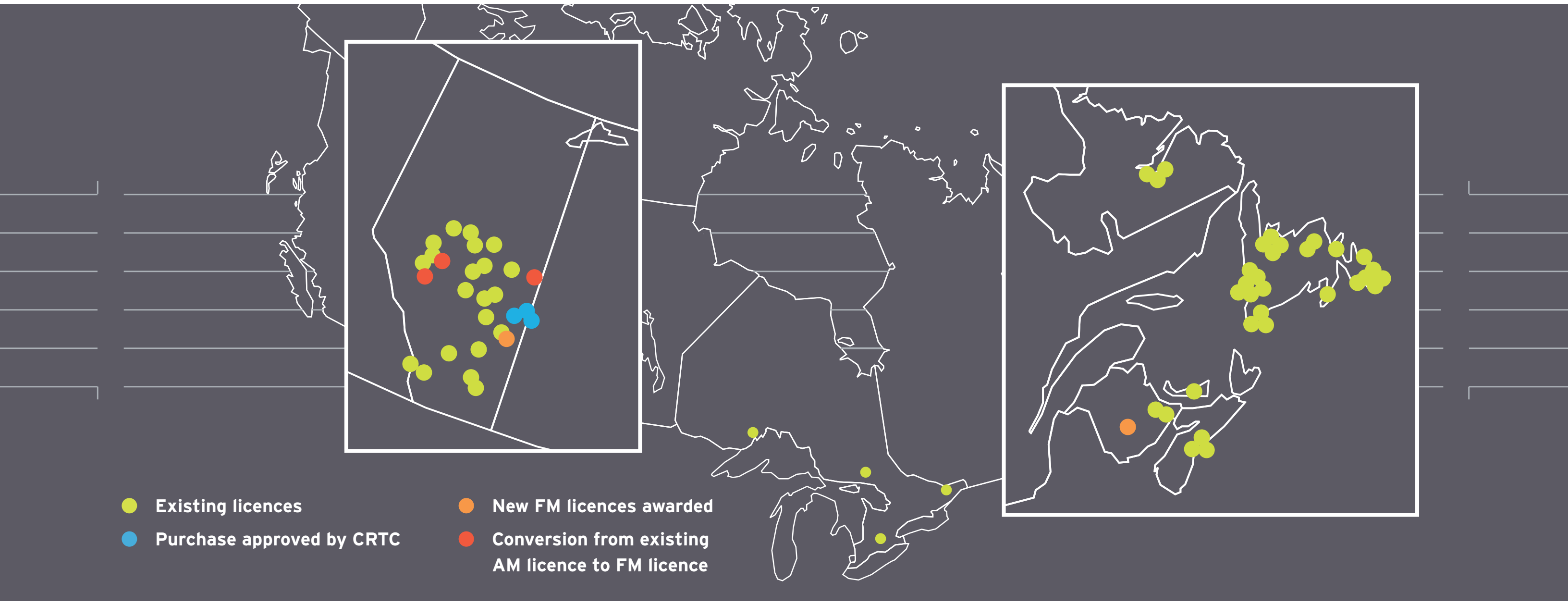
The power of radio is in delivering more radio wherever you are.

We are committed to seizing opportunities for growth in regional markets across Canada. To build our radio network we are actively acquiring attractive assets in underserved markets and selectively applying for new licences.

COMMUNITY

The power of radio comes from our ability to take action in our communities.

We go the extra mile to support a variety of organizations and activities. Each year, our employees raise funds and awareness for causes that matter to our listeners.



Newfoundland Capital Corporation is a leading national radio broadcaster with 65 licences across Canada – 35 FM and 30 AM licences. The Company has a significant presence in Alberta and Atlantic Canada and broadcasts in a variety of formats from classic rock to adult contemporary music.

In 2004, Newfoundland Capital Corporation demonstrated its focus on growth by adding a total of five new FM licences to its portfolio. The Company expanded its geographic reach with the addition of the Fredericton, New Brunswick, station and multiple new licences in Alberta.

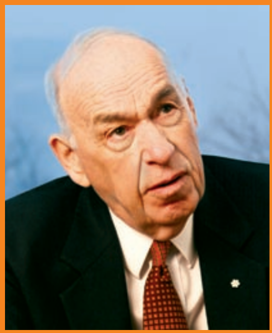
Looking ahead to 2005 there are several radio station purchases awaiting approval by the CRTC which will continue to build the Company's national presence.

OUR RADIO PIPELINE AT A GLANCE

GROWTH IN 2004	PIPELINE FOR 2005
Purchase approved by CRTC: Lloydminster, Alberta (3 licences) (purchase finalized on January 31, 2005)	**Purchase subject to approval by CRTC:** Red Deer, Alberta (2 licences) Thunder Bay, Ontario (1 licence) Winnipeg, Manitoba (1 licence)
New FM licences approved by CRTC: Fredericton, New Brunswick (on-air in Summer 2005) Wainwright, Alberta (on-air in January 2005)	**New FM licence applications before CRTC:** Ottawa, Ontario Woodstock, Ontario Whitecourt, Alberta
Conversion from existing AM licences to FM licences: Hinton, Alberta (on-air in July 2004) Cold Lake, Alberta (on-air in September 2004) Jasper, Alberta (on-air in November 2004)	**Conversion from existing AM licence to FM licence:** Charlottetown, Prince Edward Island

Over the last decade, we have demonstrated our commitment to grow our radio platform across Canada. 2004 marked the year where we built great momentum toward that goal.

Robert G. Steele
President and Chief Executive Officer



Harry R. Steele
Chairman

We expanded our portfolio, enhanced our pipeline of opportunity in radio station licences and acquisitions and once again, we have demonstrated strong team work with numerous community achievements.

As we build and evolve our radio network by focusing on regional markets throughout the country, we remain dedicated in our vision to actively engage ourselves in the cities and neighborhoods in which we operate. The power of radio truly comes from our ability to communicate with our listeners, and represents more than providing a variety of entertainment and news. We are in a unique position to bring people to action and furthermore, be a voice for our listeners in their community. This remains a distinctive characteristic of our industry and an essential component of how we view our business.

GROWTH IS SUPPORTED BY BEST PRACTICES ACROSS THE COUNTRY

Our growth objective cannot be achieved without a sustained commitment to enhancing the efficiency of our radio operations and our consistent efforts to build strong customer relationships with our advertising clients. With a record of providing high quality programming, community-driven promotions and locally-driven sales strategies, we are confident in our ability to integrate and manage new acquisitions. We can deliver the same high quality entertainment, news and dialogue for our listeners wherever we operate by relying on best practice initiatives within the company, and a sincere respect for the talent of our employees.

We provide our radio broadcasters with the creative freedom necessary to provide compelling programming across the country, while supporting their efforts with proprietary networking applications, up-to-the-minute demographic research and a highly motivated and experienced sales team.

OUR INITIATIVES ARE REFLECTED IN OUR OPERATING PERFORMANCE

In 2004, revenue growth strategies implemented in each region resulted in a 6.3% consolidated revenue growth over last year. The largest revenue gains were derived primarily from the Newfoundland and Labrador, Halifax, Sudbury and Edmonton markets. We expect the Lloydminster acquisition, which was finalized on January 31, 2005, to add to our revenue growth in 2005.

Earnings before interest, taxes, depreciation and amortization (EBITDA), increased 9.7% over last year, reflecting margin improvements in all stations due to increased revenue and cost control initiatives implemented across the organization. Gaining operational efficiencies across our network to ensure that each new acquisition and radio licence is cash accretive to our shareholders remains a corporate priority. Net income was up 67.0% to $10.2 million, as compared to last year's $6.1 million.

As in 2003, our Board of Directors declared a $0.10 per share dividend, payable on January 14, 2005 to shareholders of record at the close of business on December 31, 2004.

BUILDING A NATIONAL PRESENCE

In 2003, the Company focused on its core properties. This year we demonstrated our ability to expand our pipeline of radio assets across Canada, thus positioning ourselves as a leading national radio company. In 2004 we acquired three new radio licences in Lloydminster, Alberta. We also received approval from the Canadian Radio-television and Telecommunications Commission (CRTC) for two new FM licences.

The new FM licences approved by the CRTC include Wainwright, Alberta, and Fredericton, New Brunswick. This year we converted Hinton, Cold Lake and Jasper, all located in Alberta, to FM from AM licences. These conversions and new licences will represent an important source of growth in 2005 as they are integrated into our FM networking and programming environment.

Our robust pipeline of radio station acquisitions and licence applications will ensure continued expansion in 2005, enhancing our value to shareholders, employees and advertising clients. We are awaiting a CRTC decision on our applications for four FM licences, one of which is a conversion from AM to FM. These licence applications are located in Ontario, Prince Edward Island and Alberta. In addition, we are awaiting CRTC decisions respecting the purchase of radio stations located in Red Deer, Alberta, Thunder Bay, Ontario and Winnipeg, Manitoba. We are clearly excited to expand our radio operations into provinces in which we currently do not broadcast, and will continue to seek such acquisitions and licence opportunities in the future.

OUR MOST VALUABLE ASSET IS OUR TALENT

Our broadcasting team, including our on-air personalities, programmers, promotion managers, engineers and sales people are vital to the success of this company. A few have been recognized by their peers as outstanding contributors to the radio industry and their community. Through their efforts we have built valuable and recognized radio station brands across the country, as well as made meaningful contributions to local charities for a variety of causes directly impacting where we live. Our employees are known to rise to the occasion when needed and their efforts are appreciated.

A PLATFORM FOR FURTHER GROWTH IN 2005

We are confident that providing our listeners with the programming, reporting and community support that they desire will position the company for continued growth and success in 2005. We have demonstrated our strength in efficiently managing our assets for growth and profitability, resulting in sustainable value for our shareholders. This could not be achieved without the individual efforts of our dedicated radio broadcasting team.

signature
"Robert G. Steele"

Robert G. Steele
President and Chief Executive Officer

signature
"Harry R. Steele"

Harry R. Steele
Chairman

WE ARE DEDICATED TO ENSURING THAT RADIO STATIONS ARE A FOCAL POINT IN THE COMMUNITY

Representing the voice of the community

We reflect our listeners' desire to provide immediate help for local organizations ranging from food banks to children's charities, and when needed, for international disasters such as the tsunami crisis in Southeast Asia.

Radio stations in every market we operate have the ability to raise thousands of dollars within hours - and within days, they can raise thousands more.

Representing the best of Canadian radio industry professionals

Our employees across the country have been recognized by their peers for making outstanding contributions to the radio industry.

From On-Air Personality of the Year, to Journalistic Excellence and Country Music Director of the Year, our people are our most valuable asset.

Representing modern Canadian culture

We are proud to support new talent and innovation within Canadian culture. By being active in providing scholarships for up-and-coming musicians and sponsoring local bands, we are dedicated to supporting and sustaining our national music industry.

WESTERN

"It is almost impossible to list or prioritize the community support we provide throughout Alberta."

Al Anderson,
Alberta General Manager

COMMUNITY OUTREACH

The Critters are back!

The CFCW Critter Hockey team was started in the Fall of 1993. The hockey team has played in over 130 communities and raised over $150,000 for charities throughout North and Central Alberta.

The 2nd Annual Hermitage Classic Hockey Tourney

In the winter of 2003, the NHL Heritage Classic set Edmonton "a buzz" by playing hockey on a frozen outdoor pond. 97.3 K-Rock recognized the need to keep the Community Leagues alive for future NHL players and the Hermitage Classic was born. To date, this event has raised over $41,000 for the Edmonton Federation of Community Leagues who in turn distributes the funds to Community Leagues in the Edmonton Area.

The 7th Annual BJ & Shannon Stuff-A-Bus

BJ and Shannon took the 96X Morning Show out on the road in an RV Motor Home for the 7th Annual Stuff-A-Bus Campaign. Along with other corporate sponsors they surpassed their fundraising goal with 119,154 lbs of food delivered to the less fortunate.

> "It is such an honour for the elders to see me as a role model. I am very proud of my culture, and proud I can share this in mainstream media."
>
> Bruce Makokis,
> *CFCW Radio, Alberta*

NEW DEVELOPMENTS

Construction is under way in the West Edmonton Mall for the new home of the Edmonton radio stations

Four fully interactive store-front studios covering 26 thousand square feet will be completely visible and accessible to the public, with the on-air personalities and behind-the-scenes programming in full view. This new radio station concept brings immediacy to local news and rallies the community together.

K-Rock 97.3, 96X and a remote studio for 790 CFCW will be merged under one roof. The studios will use Digital technology and provide listeners, shoppers and tourists with access to state-of-the-art radio station work spaces. Glass doors will open to the public if instant crowd participation or audience views are desired.

OUR TALENTED TEAMS

Employees awarded prestigious industry peer awards

The Enoch Cree Nation in Edmonton rewarded CFCW radio's Bruce Makokis *(featured above)* for being a positive role model in the media. Each year the band recognizes Aboriginal role models in the province through an awards ceremony.

CFCW's Morning Show Co-Host and Program Director, Jackie-Rae Greening *(featured above)*, was the recipient of Canada's On-Air Personality of the Year award, Major Market, at the 2004 Canadian Country Music Awards. Larry Donohue received the Country Music Director of the Year award.

These awards are voted on by the members of the Canadian Country Music Association (CCMA) through a series of ballots and are considered to be top industry awards for country music professionals in Canada.

ATLANTIC

"When the Mighty Q calls, its listeners are there."

J.C. Douglas,
Program Director, Q104, Halifax

COMMUNITY OUTREACH

INDUSTRY RECOGNITION

Q104 morning show host goes on hunger strike to raise money for local families

On December 2nd and 3rd, Lisa Blackburn, Morning Show host, slid between the sheets and conducted a hunger strike – in bed – at Centre Court, Mic Mac Mall. The radio station raised enough money to feed over 1,000 local area families for the holidays. Between the hunger strike and the Halifax and Bedford Parade of Lights, Q104 raised enough food and cash to feed 1,988 families for the 2004 holiday season.

Griff and Donna morning team step in when wheelchair equipped van is stolen

The single mother of a severely handicapped child had her new specially-designed van stolen. The Kool 96.5 morning team asked listeners for donations to help replace the van and in a matter of hours over $10,000 was pledged. Newfoundland Capital Corporation's President and CEO Rob Steele donated a brand new wheelchair-equipped van to replace the vandalized one, with the funds raised providing for ongoing medical costs.

Q104 recognized with awards and honorable mentions

In May, Q104 News received an Honorable Mention for their coverage of "Hurricane Juan Slams Halifax" at the Radio Television News Director's Association Awards held in Lunenburg, Nova Scotia. At the Crystal Awards in March, the Mighty Q captured a "Craft Award" for radio promotion and advertising. Q104 also won for "Excellent Use of Medium" in developing a special Hurricane Juan audio compilation. During Canadian Music Week festivities in Toronto, Q104 was nominated for four Canadian Music Industry Awards.

> "From major disaster relief to a helping hand for one person, the VOCM Cares Foundation is the always-available portal through which all Newfoundlanders and Labradorians can reach out to their neighbours."
>
> John Murphy
> *President, VOCM Cares Foundation, Newfoundland and Labrador*

COMMUNITY OUTREACH

VOCM Cares Foundation raises $1.2 million in 2004

Through lotteries, gaming, donations and special fundraising projects, VOCM Cares was able to make grants to 84 charities in Newfoundland and Labrador including Lions Clubs, the Canadian Red Cross and the Children's Wish Foundation of Canada.

The VOCM Cares Foundation was established in 1979 to support children's charities that work in the field of health, safety and education in Newfoundland and Labrador.

VOCM radio responds to tsunami disaster with Relief Radiothon

On January 8th, 2005, VOCM radio, in conjunction with its west coast network CFCB, gave up four hours of prime broadcasting time to raise funds in support of the tsunami victims of Southeast Asia. Staff urged listeners to call in with donations, and a 12-unit phone bank operated by volunteers from a local private college answered every call. The event raised $105,000 in support of this cause.

OUR TALENTED TEAMS

VOCM team winning awards

In 2004 the VOCM News Department was honored with the Edward R. Murrow Award for News Excellence. Also honored were journalists Scott Chafe for journalistic excellence by the Canadian Mining Industry. Terry Hart won the Ambassador of Tourism Award by Hospitality Newfoundland and Labrador. Journalist Roger Barnett won the Rotary Personal Excellence Award at the Grand Falls-Windsor Annual Business Awards.

CENTRAL

"Hot 89.9 has tremendous listeners and supporters and we knew that we could count on them to make a difference."

Rob Mise

Hot 89.9 Station Manager, Ottawa

COMMUNITY OUTREACH

The Morning Show sets up live broadcast from the Ottawa Food Bank

Hot 89.9 broadcast live from Ottawa Food Bank's Michael Street location to raise money for the organization over a twelve hour fundraising blitz. The initiative raised $107,000. Food Bank Executive Director Peter Tiley: "We couldn't be happier. Hot 89.9 has really stepped up as a member of our community and they've worked hard to make a difference."

Two jocks in a box

To raise money for the Easter Seals Kids and the Candlelighters, two charities that benefit children, Hot 89.9 put "two jocks in a box". Mauler from Hot 89.9 and Stuntman Stu from 106.9 were confined for 48 hours in two separate boxes in College Square, Ottawa. Over $20,000 was raised in 48 hours for both organizations.

Fairy Godmother goes to prom

With the high school prom season taking place in April, Hot 89.9 FM joined the local dress boutique, The Fairy Godmother of Ottawa, to lend dresses to young women who could not afford to buy their own. 126 girls were dressed for the prom.

The following discussion and analysis of financial condition and results of operations has been prepared as of February 25, 2005.This document should be read in conjunction with the annual audited consolidated financial statements and related notes contained in this 2004 Annual Report. These documents along with the Company's Annual Information Form and other public information is filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed at www.sedar.com.

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their very nature, these statements involve inherent risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these 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 (the Company) is one of Canada's leading small and medium market radio broadcasters with 65 licences across Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking.

The Company has 35 FM and 30 AM stations spanning the country employing over 500 radio professionals in Canada.

The majority of the Company's revenue is advertising-based and therefore subject to economic fluctuations. Revenue is generated both by the Company's sales staff and through advertising agencies.

The shares of the Company trade on the Toronto Stock Exchange under the symbols NCC.SV.A and NCC.MV.B.

INDUSTRY OVERVIEW

Radio stations generate revenue by selling advertising airtime primarily to retail industry clients. 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 mid-size and major radio markets, each station is rated to determine how much of the listening public tune in to 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 currently accounts for approximately 14% of the estimated $9.0 billion of major media advertising dollars spent in Canada. Broadcast licences are governed by the Canadian Radio-television and Telecommunications Commission (CRTC) and typically have a licence term of seven years. Renewal of these licences is not usually withheld unless there are serious violations of CRTC regulations. All of the Company's broadcast licences are in good standing and the Company takes steps to ensure all conditions of licence are satisfied.

LONG-TERM VISION

The Company's primary long-term objective is to increase its presence in Canadian markets by making sound investments in additional broadcasting licences. Radio licences will be added through business acquisitions and through new licences awarded following successful applications to the CRTC. Growth through additional licences will bring shareholder value as a result of increased asset values and increased profitability. Historically, the Company has expanded operations in underserved small and regional radio markets across the country. This strategy has already demonstrated success with increased shareholder value.

In 2004, the Company aggressively sought out new business acquisition opportunities to meet its long-term objective and has been actively applying to the CRTC for new licences. The Company expects to file more applications in 2005 as new licence opportunities arise.

The two following sections describe in detail the corporate developments over the past two years.

BUSINESS AND LICENCE ACQUISITIONS AND DISPOSALS

On July 25, 2002, the Company sold its Publishing and Printing Division to a newly incorporated company, Optipress, Inc., which completed its Initial Public Offering on that date. The Company

Donna Saker, Kool 96.5, Halifax.

St. John's K-Rock Morning Show hosts, Chris Batstone *(l)* and Mike Campbell *(r)* present cheque to Valerie Barrington from the Dr. H. Bliss Murphy Cancer Centre.

K-Rock's Edmonton Morning Team donates sports equipment to Jamaican school.

retained a 20% interest in Optipress, Inc. until January 16, 2004 when the Company disposed of this equity investment. Proceeds of $11.3 million were received and resulted in the recognition of a gain on disposal of $2.5 million ($2.0 million after-tax). The Company used the proceeds to repay long-term debt.

To further strengthen the Company's continued commitment to serve the Alberta radio community, the Company entered into a purchase and sale agreement to acquire the broadcasting assets of Shortells Limited, and its related companies in May 2004. The CRTC approved this $13.0 million transaction in December 2004. The transaction closed on January 31, 2005. The assets acquired include three FM radio licences (CKSA-FM, its repeater and CILR-FM), two television licences (CKSA-TV and CITL-TV), and an outdoor billboard business. The Company financed this acquisition with its existing credit facility.

The three following acquisitions are awaiting approval from the CRTC. If approved, they will be financed with the Company's existing credit facility.

The Company entered into a purchase and sale agreement in 2004 to acquire a broadcasting licence in Thunder Bay, Ontario. This acquisition would complement its existing radio station operating in that market.

On January 21, 2005, the Company announced that it had signed a purchase and sale agreement to acquire CIZZ-FM and CKGY-FM radio broadcast licences from Corus Entertainment Inc. in Red Deer, Alberta. The investment will be $9.0 million, subject to adjustment in accordance with the purchase and sale agreement. The Red Deer acquisition is considered important for the Company as this community has a solid economic base and is strategically positioned between Calgary and Edmonton where the Company already operates.

On February 2, 2005, the Company announced that it had entered into an agreement to acquire the CHNR-FM radio broadcast licence in Winnipeg, Manitoba from CKVN Radiolink System Inc. for $1.8 million. This will be the first acquisition in this province, and is strategically aligned with the Company's objective of building a radio network throughout Canada. Upon signing the agreement, the Company acquired a 19.9% interest with the remaining 80.1% subject to CRTC approval.

APPROVALS OF NEW LICENCES BY THE CRTC

The Company was awarded a new radio broadcast licence in Ottawa, Ontario in 2001. In February 2003, the Company launched this new radio station and became obligated to fund Canadian Talent Development commitments aggregating $5.2 million over a six year period. This amount is capitalized as broadcast licences.

A new FM licence was awarded by the CRTC in 2003 in Kitchener-Waterloo, Ontario. The Company became a 29.9% minority partner in this FM licence which was launched in February 2004. The Company uses the equity method to account for its interest and has invested $0.5 million in this licence as at December 31, 2004.

In 2003, the Company requested CRTC approval for three new FM licences and the permission to convert three AM signals to FM in Alberta. This request was made as a result of the commitment to better serve smaller communities in Alberta which were served by AM signals. This request was granted by the CRTC in the last quarter of 2003 and early 2004, and since then, the Company has been working diligently to launch these six new FM services in Alberta. The first FM service launch occurred in Hinton in July 2004 and was followed in September with the new FM station in Cold Lake and in November with the new Jasper FM. The Classic Rock format received an immediate positive response from advertisers and is a good leading indicator of how the remaining FM services will be welcomed. The Wainwright station, branded Wayne-FM was on-air in January 2005, with the remaining two stations expected to be on-air in the summer of 2005. The award of these new FM frequencies has allowed the Company to more than double its FM licences in Alberta.

In November 2004, the Company was awarded a new FM broadcast licence to serve Fredericton, New Brunswick. The licence will be used to establish a new "Classic Rock" radio station format to be broadcast at 92.3 FM. The Company plans to begin broadcasting by mid 2005.

In light of the Company's widely known objective to grow its radio presence throughout Canada, 2004 has been a year in which several FM radio licence applications have been filed with the CRTC. In November 2004, the Company filed an application to convert CHTN-AM in Charlottetown, PEI to an FM signal. An application for an Alternative Rock station in Ottawa, Ontario was presented to the CRTC in December 2004. This licence would complement the Company's existing station in that market. An application to convert the Whitecourt, Alberta FM repeater station to an originating station was filed in October 2004. Decisions are expected for all of these applications before the end of 2005.

The Company continues to research frequencies in other markets throughout Canada that fit its long-term growth strategy.

SELECTED ANNUAL FINANCIAL INFORMATION

The Company disposed of its Publishing and Printing Division in 2002 to Optipress, Inc., in which the Company retained a 20% interest. Income from continuing operations excludes the income from this Division in 2002. The Company's interest in Optipress, Inc. was sold in January 2004, resulting in a gain on disposal which is included in the Company's 2004 net income. These transactions and licence acquisitions occurring between 2002 and 2004 are the primary reasons for the trending over the past three years.

(thousands of dollars, except share data)	2004	2003	2002
Revenue	$ **65,364**	61,502	51,351
Income from continuing operations	**10,164**	6,085	5,024
Net income	**10,164**	6,085	8,866
Earnings per share			
Income from continuing operations			
– basic	**0.85**	0.51	0.43
– diluted	**0.84**	0.51	0.42
Net income			
– basic	**0.85**	0.51	0.75
– diluted	**0.84**	0.51	0.75
Total assets	$ **155,724**	160,082	149,434
Long-term debt	**15,073**	26,595	30,173
Outstanding shares			
Class A Subordinate Voting Shares	**10,467**	10,643	10,535
Class B Common Shares	**1,258**	1,258	1,258
Dividends declared			
Class A Subordinate Voting Shares	$ **0.10**	0.10	—
Class B Common Shares	**0.10**	0.10	—

CONSOLIDATED OPERATING RESULTS

The Company has one separately reportable segment – radio, which derives its revenue from the sale of broadcast advertising. Corporate and other derives its revenue from hotel operations.

			Growth	
(thousands of dollars)	2004	2003	Total	Organic
Revenue				
Radio	$ **62,219**	58,400	6.5%	6.1%
Corporate and other	**3,145**	3,102	1.4%	1.4%
	$ **65,364**	61,502	6.3%	5.8%

Consolidated revenue was $65.4 million for the year, a 6.3% improvement over 2003. The primary factor for revenue growth in 2004 was from our existing asset base. The Ottawa, Ontario FM station launched in February 2003 also contributed to the revenue gains by more than doubling its advertising revenue in 2004. Growth at the stations in Newfoundland and Labrador, Halifax, Sudbury and Edmonton were responsible for the majority of the 6.1% organic growth in radio. This organic growth was a result of consistent and continuous efforts to build strong customer relationships. The Company experienced consistent growth rates throughout the year ranging from 5% to 7%. Corporate and other was on-par with 2003.

Other income increased by $1.0 million due to improved income from investments.

Operating expenses of $51.9 million were higher than the prior year, primarily due to the new Ottawa station and the variable sales and royalty costs associated with increased revenue. The majority of the Company's operating expenses are fixed, meaning any fluctuation in revenue will have a significant impact on net operating results.

			Growth	
(thousands of dollars)	2004	2003	Total	Organic
EBITDA(1)				
Radio	$ **18,975**	$ 17,178	10.5%	10.5%
Corporate and other	**(3,765)**	(3,319)	(13.4%)	(13.4%)
	$ **15,210**	$ 13,859	9.7%	9.7%
% of Revenue				
Radio	**30.5%**	29.4%	1.1%	1.1%
Total	**23.3%**	22.5%	0.8%	0.8%

Earnings before interest, taxes, depreciation and amortization (EBITDA(1)) are $1.4 million ahead of last year due to the upward trend in radio operations, growing 10.5% to $19.0 million at year end. Organic radio revenue improvements led to the majority of this growth and contributed to the increase in the EBITDA margin to 30.5% from 29.4% last year. This margin compares favourably to results reported by other public broadcasters in the radio industry. Corporate and other EBITDA was $0.4 million lower than last year due to costs associated with the restructuring of senior management and the adoption of the accounting policy for stock-based compensation.

Depreciation and amortization expense decreased by $0.2 million compared to 2003. The decrease is due to lower amortization of deferred charges as some of these charges became fully amortized during the year.

Interest expense of $0.8 million decreased by $0.6 million compared to 2003 as a result of lower average debt levels in 2004.

Equity accounted investments resulted in recognizing a loss in 2004 of $0.3 million compared to income last year of $0.3 million. Last year's results included the Company's share of income from its interest in Optipress, Inc. which was sold in early 2004. The loss recognized this year is a result of the Company's 29.9% interest in the FM station in Kitchener-Waterloo, Ontario, which incurred operating losses in its first year of operations.

The effective income tax rate of 26.7% is lower than the prior year due to the non-taxable portion of gains recognized of $0.6 million and future tax recoveries of $0.8 million. The effective rate is also impacted by lower Canadian statutory tax rates and a change in the mix of pre-tax earnings within provincial jurisdictions.

Non-controlling interest in subsidiaries' earnings represents the 23.7% that Standard Radio Inc. holds in certain Alberta licences and the 37.8% that minority shareholders have in the Moncton, New Brunswick licences.

Net income has increased significantly over the prior year, growing 67.0% to $10.2 million in 2004. Of this increase, $2.0 million (or 32.8%) is attributable to the gain on disposal. The balance (34.2%) is due to improved operating results, decreased interest expense and a lower provision for income taxes.

			Growth	
(thousands of dollars)	**2004**	2003	$	%
Net Income	**$ 10,164**	6,085	4,079	67.0

Selected Quarterly Financial Information (unaudited except totals)

The Company's revenue and operating results vary depending on the quarter. The first quarter tends to be a period of lower retail spending and as a result, advertising revenue is lower. Net income in the first quarter of 2004 included the recognition of the gain on disposal of investment.

	Quarter				
(thousands of dollars, except share data)	1st	2nd	3rd	4th	Year
2004					
Revenue	**$ 13,134**	**17,714**	**15,930**	**18,586**	**65,364**
Net income	**2,567**	**2,558**	**1,607**	**3,432**	**10,164**
Earnings per share					
– basic	**0.21**	**0.21**	**0.13**	**0.29**	**0.85**
– diluted	**0.21**	**0.21**	**0.13**	**0.29**	**0.84**
2003					
Revenue	$ 12,259	16,508	15,217	17,518	61,502
Net income	490	2,042	1,256	2,297	6,085
Earnings per share					
– basic	0.04	0.17	0.11	0.19	0.51
– diluted	0.04	0.17	0.10	0.19	0.51

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash flow from operating activities was $13.1 million, $4.9 million better than the $8.2 million posted last year. This increase is attributed to improved operating results and a positive fluctuation in non-cash working capital in the amount of $4.5 million.

Cash used in financing activities increased significantly to $18.9 million compared to $4.0 million in 2003. This change reflects the Company's repayment of its obligations, including a net bank debt repayment of $13.0 million and repayment of $1.8 million of Canadian Talent Development commitments. The Company also paid dividends totaling $1.2 million to shareholders this year. Cash provided by investing activities is $5.9 million, up from last year's use of cash of $4.3 million. The main reason for the change was due to proceeds of $11.3 million received upon disposal of the investment. Offsetting this source of cash are property and equipment expenditures and other investments. The majority of the investment in capital assets related to the new FM services in Alberta.

The Company expects its level of cash flow to be sufficient to fund its working capital, capital expenditures, contractual obligations and other cash requirements. Business and licence acquisitions or any other significant capital expenditures will be funded from a combination of cash flow from operations and the Company's existing credit facility.

As at December 31, 2004 the Company had $0.5 million of current bank indebtedness outstanding and $15.0 million of long-term debt, of which less than $0.1 million is current. The Company has also issued standby letters of credit totaling $2.0 million in support of certain long-term liabilities. The working capital deficiency of $2.2 million was higher than last year's by $0.7 million and was primarily due to the normal timing-based fluctuations in accounts payable and accrued liabilities.

The Company's syndicated credit facility is a $55 million revolving term credit facility that is renewed annually. The current credit facility allows sufficient capacity to fund the announced acquisitions. The Company renewed the facility subsequent to year end, which will now mature in April 2006. 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 instalments over two years. The Company has chosen this type of credit facility because it provides flexibility with no scheduled repayment terms. This arrangement minimizes interest costs and allows the Company access to sufficient capital for growth while at the same time allowing the total bank debt balance to be reduced immediately with any positive cash flow from operations. Interest costs are based on either the bank's prime rate or bankers' 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. The Company expects to be in compliance with these covenants for the foreseeable future.

The Company's credit facility is subject to floating interest rates. On July 2, 2003 the Company entered into two interest rate swap agreements to hedge interest rate risk, whereby the Company will exchange the three-month bankers' acceptance floating interest rate for a fixed interest rate during the term of the agreements. The notional amount of the swaps total $15.0 million, $10.0 million expires July 4, 2005 and $5.0 million expires July 4, 2006. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The fair value of the interest rate swap agreements at year end is a net payable of $0.1 million that has not been recognized in the accounts as the interest rate swaps qualify for hedge accounting. Future fluctuations in interest rates will have minimal impact on interest expense because the majority of the Company's interest payments are hedged.

In December 2004 the Board of Directors declared a dividend of $0.10 per share on each of its Class A Subordinate Voting Shares and Class B Common Shares. The dividend was payable on January 14, 2005 to shareholders of record at the close of business on December 31, 2004. The $1.2 million was funded from cash flow from operations.

Other liabilities have decreased by a net amount of $2.2 million. The majority of this change was a result of a $1.8 million payment toward the Company's Canadian Talent Development commitments.

The capital budget for 2005 approximates $5.0 million. $1.0 million is expected to be spent in finalizing the expansionary FM conversions in Alberta, $1.5 million is budgeted for the new Fredericton, New Brunswick FM station, while the remaining $2.5 million relates to other upgrades to be completed in 2005. In the view of improving operating efficiencies, the Company upgrades its broadcast equipment on a continual basis.

The Company has entered into agreements to acquire broadcasting assets in Thunder Bay, Ontario, Red Deer, Alberta and Winnipeg, Manitoba for aggregate consideration of $13.0 million. These acquisitions are subject to CRTC approval. The funding will be provided from the Company's existing credit facility.

CONTRACTUAL OBLIGATIONS

The Company has various contractual obligations that are recorded as liabilities in the consolidated financial statements. Other items such as operating leases, purchase and acquisition commitments are not recognized as liabilities. The following table summarizes significant contractual obligations and commitments as at December 31, 2004 and the future periods in which the obligations are expected to be paid. In addition, the table reflects the timing of principal payments on outstanding borrowings. Additional details regarding these obligations are provided in the notes to the consolidated financial statements, as referenced in the table.

		2005	2006	2007	2008	2009	thereafter	**Total**
Long-term debt (note 6)	$	23	3,773	7,523	3,773	4	—	**15,096**
Canadian Talent Development commitments (note 7)		1,707	1,649	1,600	1,396	1,325	14	**7,691**
Operating leases (note 16(a))		2,693	2,309	1,790	1,446	1,240	11,492	**20,970**
Non-controlling interest purchase commitment (note 16(a))		—	—	—	—	5,287	5,287	**10,574**
Approved business acquisition (note 18)		13,000	—	—	—	—	—	**13,000**
Total contractual obligations	$	17,423	7,731	10,913	6,615	7,856	16,793	**67,331**

Long-term debt and Canadian Talent Development commitments are recorded as liabilities on the Company's balance sheet. All of the other commitments are disclosed in the notes to the consolidated financial statements.

The minimum required principal repayments for long-term debt are determined under the assumption the Company exercises the option to convert to a non-revolving term as described in the Liquidity and Capital Resources section. Subsequent to year end, long-term debt will increase by $13.0 million to fund the approved business acquisition in Lloydminster, Alberta. Long-term debt will increase by a further $13.0 million if the pending business acquisitions that are before the CRTC, as described earlier, are approved.

The purchase commitment of $5.3 million in 2009 represents half of Standard Radio Inc.'s non-controlling interest which the Company is committed to acquire on April 29, 2009. The remaining half becomes due April 29, 2012.

The Company also has obligations with respect to its employee benefit plans, as discussed in note 8 to the consolidated financial statements. The Supplementary Retirement Pension Arrangements (SRPAs) provide benefits above and beyond that which can be provided under the Income Tax Act, and therefore are not pre-funded. As a result, the Company's annual funding obligation approximates $0.5 million. There are no similar obligations under the Company's Basic Plan as it is fully funded.

CAPITAL EMPLOYED

Year end assets amounted to $155.7 million, down from $160.1 million at December 31, 2003. This decrease is mainly attributable to the disposal of the $8.8 million investment in Optipress, Inc. Offsetting this decrease are increases of $1.6 million in current assets and $2.4 million in other assets. The capital structure consisted of 55.4% equity ($86.2 million) and 44.6% debt ($69.5 million). Total bank debt as a percentage of equity has decreased to 18.1%. The total bank debt to EBITDA ratio is 1.0 to 1.0.

Pursuant to a Normal Course Issuer Bid, the Company repurchased 407,500 (2003 – 138,000) of its outstanding Class A Subordinate Voting Shares for a total cost of $4.7 million (2003 – $1.3 million). The Company has approval under a Normal Course Issuer Bid to repurchase up to 523,000 Class A Subordinate Voting Shares and 63,000 Class B Common Shares. This bid expires January 27, 2006.

Pursuant to the executive stock option plan, the Company has reserved 1,564,506 Class A Subordinate Voting Shares of which 215,756 remain available for issuance at year end. In 2004, the Company issued 232,000 (2003 – 246,000) Class A Subordinate Voting Shares with proceeds of $1.9 million (2003 – $1.9 million) pursuant to the plan. During the year 200,000 options were granted at a weighted average exercise price of $11.43. The weighted average number of shares outstanding at December 31, 2004 is 11.9 million (2003 – 11.8 million). As of this date, there are 10,333,000 Class A Subordinate Voting Shares and 1,258,000 Class B Common Shares outstanding. The Company has 805,000 outstanding stock options exercisable, of which 613,750 are vested, for Class A Subordinate Voting Shares at prices ranging from $7.30 to $11.66.

NEW ACCOUNTING POLICIES ADOPTED IN 2004

The Company's accounting policies remained unchanged in 2004 with the exception of the following (details are included in note 2 of the consolidated financial statements):

- Hedging relationships
- Stock-based compensation and other stock-based payments
- Employee future benefits
- Impairment of long-lived assets

Effective January 1, 2004 the Canadian Institute of Chartered Accountants (CICA) issued a new accounting guideline for hedging relationships. To qualify for hedge accounting, the hedging relationship must be designated and documented at inception with reasonable assurance that the hedging relationship will be effective. Effectiveness requires a high correlation of changes in fair values or cash flows between the hedged item and the hedging item. The Company's hedge relationships are currently in compliance with this new guideline.

The new accounting standard for stock-based compensation and other stock-based payments whereby the fair value method is to be used to determine annual compensation expense was applied retroactively without restatement. Prior to adoption of this standard, the Company disclosed the fair value compensation amounts but they were not expensed. This standard was adopted by the Company on January 1, 2004 and the fair value of amounts disclosed in 2002 and 2003 aggregating $0.6 million were charged against opening retained earnings. 2004 compensation expense related to the adoption of this new guideline totaled $0.3 million.

In March 2004, the CICA issued a revised version of the recommendations on future employee benefits to require additional disclosure about the assets, obligations, cash flows and net periodic benefit expense of employee future benefit plans. Measurement or recognition of these plans did not change. The new disclosures are effective for years ended after June 30, 2004, and the Company has adopted these disclosure requirements effective as of that date.

Brian Matthews, Manager IT Services, Newfoundland and Labrador.

Rich Horner, News Director, Halifax.

(l-r) Michelle Myrick, Manager, and Joanne Connolly, Administration, VOCM Cares Foundation, St. John's, Newfoundland.

Effective January 1, 2004, the Company adopted prospectively the CICA recommendations on impairment of long-lived assets. The recommendations establish standards for the recognition, measurement and disclosure of the impairment of long-lived assets. The recommendations stipulate that an impairment loss should be recognized when the carrying value of a long-lived asset exceeds the discounted cash flows expected from its use and eventual disposition. The impairment loss would be measured as any excess of the carrying value of an asset over its fair value. The adoption of this recommendation had no impact on the Company's results.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are summarized in the annual consolidated financial statements. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect 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 these estimates.

The following estimates are considered to be those that have the most impact on the Company's financial position, its results of operations and statement of cash flows.

The Company makes a provision for doubtful accounts based on a market-by-market and client-by-client basis to provide for possible uncollectible accounts. This requires judgment on the part of local station management and prior collection history.

The Company has estimated the useful lives of property and equipment based on past experience and is depreciating these assets over their useful lives. Management assesses these estimates on a periodic basis and makes adjustments when appropriate.

The Company performs asset impairment assessments for broadcast licences on an annual basis, or on a more frequent basis when circumstances indicate impairment may have occurred. The Company has selected December 31 as the date it performs annual impairment testing. The assessments used to test for impairment are based on discounted cash flows which are derived from internal company profit projections that include assumptions about growth rates and other future events. Industry information is used to estimate appropriate discount rates used in the calculation of discounted cash flows. No provision for impairment is required. The fair value of the Company's broadcast licences is subject to adverse changes if the Company experiences declines in cash flow, negative industry or economic trends or if future performance does not meet management's expectations.

In valuing its defined benefit pension assets and obligations, the Company uses the projected benefit method pro-rated on services and best estimate assumptions. These assumptions include the discount rate on plan liabilities, the expected long-term rate of return on plan assets and the rate of compensation increase. The Company reviews these estimates annually with its actuaries and compares them to industry practices to ensure estimates are reasonable. Any changes to assumptions could affect the valuation of the Company's defined benefit pension assets and obligations.

Note 9(b) of the consolidated financial statements summarizes the assumptions used in computing the fair value of stock-based compensation expense. These assumptions were determined using comparable available market and historical data. The Company believes the assumptions used are reasonable based on currently available information; however, to the extent that the assumptions prove to be different, future results could vary.

Future income tax assets and liabilities are measured using the substantively enacted tax rates which are expected to be in effect when the differences are expected to be recovered, settled or reversed. Future income tax assets are recognized to the extent that it is more likely than not that the benefits will be realized. To determine the provision for income taxes, certain assumptions are made, including filing positions on certain items and the ability to realize future tax assets. In the event the outcome differs from management's assumptions and estimates, the effective tax rate in futures periods could be affected.

RELATED PARTY TRANSACTIONS

Inter-company balances and transactions of the Company's subsidiaries are eliminated upon consolidation. In 2003, the Audit and Governance Committee and the Board of Directors approved the sale of a redundant piece of property (land and building) for the sum of $610,000 to an entity controlled by the Chairman of the Company. The transaction was measured at the exchange amount, which was based on an independent appraisal of the property, and resulted in a gain of $135,000.

RISKS AND OPPORTUNITIES

The Company is subject to a number of risks and uncertainties, the more significant of which are discussed below. Additional risks and uncertainties not presently known to the Company may impact the Company's financial results in the future.

The Company's revenue is derived primarily from the sale of advertising directed at retail consumers. This revenue fluctuates depending on the economic conditions of each market and the Canadian economy as a whole. The Company takes steps to mitigate this risk by retaining a degree of geographic and sectoral diversification.

The Company faces competition in some of its markets which impacts the Company's audience and revenue share and the level of promotional spending required to remain competitive. Any changes to the competitive state of these markets could adversely affect the Company's financial results. The Company takes steps to mitigate these risks by constantly modifying its product and performing market research to ensure it is meeting the needs of its listener base. The Company operates in many markets where it is the sole commercial radio service provider.

Four new FM licences were awarded by the CRTC in Edmonton, Alberta during 2004. The formats are modern rock and urban as well as smooth jazz and Aboriginal, which are specialty restricted licences. The Company does not anticipate a significant impact on its audience share from these new stations expected to be launched in 2005. New FM licences were also awarded in Moncton and Halifax. The Moncton news-talk station is not expected to have a significant impact on the Company's listener base. In Halifax the new licences awarded were news/talk, easy listening, Youth Contemporary/Urban and a non-commercial Christian station. These stations are not expected to be on-air until late 2005 or in 2006. As with other markets, the Company is confident it can compete effectively in light of new competition.

In addition to being adequately prepared for new competition, the Company expects total available radio revenue to grow in those markets where new licences were awarded.

The Company is regulated by the CRTC under the Broadcasting Act. Although this regulatory body provides a stable operating environment, the Company's financial results may be affected by changes in regulations, policies and decisions made by the Commission. The current regulations with respect to the maximum number of broadcast licences held in any one market, the percentage of foreign ownership, the required level of Canadian content and other aspects of the regulations could change in the future. The Company actively monitors the regulatory environment to ensure it is aware of all 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 the public process) or pay significant funds for existing stations in a market.

In late 1999, the CRTC ruled that Local Management Agreements (LMAs) would no longer be allowed without prior approval. An LMA is an agreement between two or more licencees relating to aspects of the management, administration or operation of two or more stations within the same market. The Company has notified the CRTC that it has voluntarily disbanded all of its LMAs as of June 2004.

On January 31, 2005, the CRTC released Public Notice 2005-10 that contained a new interpretation of broadcast regulations governing Local Sales Agreements (LSAs) between radio broadcasters in the same markets. LSAs are still allowed by the CRTC but will only be granted under certain circumstances and after a full review by the CRTC through the normal public application process. LSA arrangements are different than LMAs in that only the advertising sales effort of two or more licencees is combined. These arrangements benefit the radio industry by achieving efficiencies in smaller markets. The Company has LSAs in Halifax, Charlottetown and Sudbury that are affected by Public Notice 2005-10. The licences in these markets have been renewed and now contain a "condition of licence" that these agreements be terminated by May 31, 2005. The Company is working closely with other affected broadcasters to determine the appropriate changes that must be made to the local sales process to comply with the ruling. Management is confident the appropriate steps will be implemented within the time frame to ensure compliance with the new condition of licence.

The Company is subject to certain fees, which in aggregate are approximately 6% 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), the Neighbouring Rights Collective of Canada (NRCC), the Canadian Musical Reproduction Rights Agency (CMRRA) and the Society for Reproduction Rights of Authors, Composers and Publishers in Canada (SODRAC) based on rates set by the Copyright Board of Canada. The CMRRA/SODRAC fee came into effect in 2003 (retroactive to January 1, 2001) when the Copyright Board rendered its decision on new reproduction fees based on broadcasting revenue. The structure of the fees is graduated based on the level of revenue for each broadcast licence that uses reproduction to air music, which is generally the case with most radio stations.

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. A Copyright Board hearing with respect to a renewal of the SOCAN and NRCC fees took place in 2004. The Company had a representative testify at the hearing in support of the CAB's position. A decision on whether a fee increase will be granted is expected in March 2005. The Company is accruing an obligation based on management's best estimate of what the fees will be, given the information available.

The CAB's position is that the CMRRA/SODRAC fee, that came into effect in 2003, is unfair and it is pursuing an amendment of the Copyright Act to exempt radio broadcasters from this liability. The Association has also commenced legal action against the CRTC, suggesting Part II licence fees represent an unconstitutional tax. The Company would benefit if these initiatives are successful, however the outcome cannot be determined 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.

On February 25, 2005 the Fund filed an Originating Notice and Statement of Claim pursuing a claim of $1,800,000 with respect to this indemnity for 2003 and indicated it will also pursue a claim for 2004. The Company intends to defend this claim vigorously. The extent of liability, if any, arising from this action is not determinable at this time.

A former executive has filed a claim against the Company. It is the Company's opinion that the severance package provided was fair and therefore the claim is without merit. The Company intends to vigorously defend this position and any liability that may arise from this claim is not determinable at this time.

The Company and its subsidiaries are involved in various other legal actions which arise out of the ordinary course and conduct of its business. Management believes any potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

OUTLOOK

The Company has invested a significant amount of effort in seeking out attractive radio station acquisitions and new licence opportunities in the past twelve months. The primary focus for management next year will be the successful completion and integration of the pending acquisitions. The Company will continue to seek out strategic opportunities in 2005 and in the future.

The new licences awarded in Fredericton, New Brunswick, Wainwright, Camrose and Brooks, Alberta, along with the acquisition in Lloydminster, Alberta, will provide significant long-term benefit and future value for the Company as it expands its geographic reach and ensures continued growth of its advertising revenue stream.

Revenue growth in 2005 will derive from a combination of organic and new station growth. A larger proportion of revenue will come from Alberta due to the Lloydminster and Red Deer acquisitions. The Lloydminster assets, which include two television licences, will help consolidate a region of eastern Alberta where the Company has existing broadcasting assets in the surrounding communities. The Company has recruited an experienced manager with both a television and radio background to maximize the return from this investment and integrate the new assets with its existing properties.

Management expects that consolidating this region will lead to improved overall Company operating margins.

Specific emphasis on organic growth will continue at the Alberta Radio Group comprised of many smaller market radio stations throughout rural Alberta. 2004 saw improved financial performance of this station group. During the past year management worked to improve sales performance and sales systems, upgrade technology and enhance programming of the stations in Alberta. These improvements are expected to continue to drive positive earnings growth in 2005.

Non-GAAP Measure

[1]EBITDA is defined as net income excluding depreciation and amortization expense, interest expense, loss (income) on equity accounted investments, gain on disposal of equity investment, provision for income taxes and non-controlling interest in subsidiaries' earnings. A calculation of this measure is as follows:

		Year ended December	
(thousands of dollars)		**2004**	2003
Net income	$	**10,164**	6,085
Non-controlling interest in subsidiaries' earnings		**361**	442
Provision for income taxes		**3,827**	3,793
Gain on disposal of equity investment		**(2,451)**	—
Loss (income) on equity accounted investments		**296**	(263)
Interest expense		**840**	1,462
Depreciation and amortization expense		**2,173**	2,340
EBITDA	$	**15,210**	13,859

This measure is not defined by Generally Accepted Accounting Principles and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management.

(l-r) Gareth Meagher and Bernadette Whitty, Creative Department, Halifax.

(l-r) Anna Zee and Tom Bedell, Q104 on-air personalities, Halifax.

Dallas Huybregts, 96X, Edmonton.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements and other information in this Annual Report are the responsibility of the management of Newfoundland Capital Corporation Limited. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. When alternative accounting methods exist, management chooses those it deems most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in this report which is consistent with that shown in the accompanying consolidated financial statements.

Management has established and maintains a system of internal control which it believes provides reasonable assurance that, in all material respects, the financial information is relevant, 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 and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility with its Audit and Governance Committee which reviews the consolidated financial statements and the independent auditors' report and reports its findings to the Board for consideration. Upon recommendation from the Audit and Governance Committee, the Board approves the consolidated financial statements for issuance to the Company's shareholders. The Committee meets periodically with management and independent auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that the respective parties are properly discharging their responsibilities. The Audit and Governance Committee recommends the appointment of the Company's auditors, who have full and unrestricted access to the Committee.

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

February 25, 2005

signature
"Robert G. Steele"

Robert G. Steele
President and Chief Executive Officer

signature
"Scott G.M. Weatherby"

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, 2004 and 2003 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

signature
"Ernst & Young LLP"

Chartered Accountants

Halifax, Canada
February 18, 2005
(Except for Note 16(c) which is at February 25, 2005)

(thousands of dollars)	2004	2003
ASSETS		
Current Assets		
Short-term investments (market value $2,657; 2003 - $1,525)	**$ 2,560**	1,525
Receivables	**16,148**	15,839
Note receivable (note 5)	**950**	951
Prepaid expenses	**907**	675
Total current assets	**20,565**	18,990
Property and equipment (note 4)	**18,045**	17,340
Other assets (note 5)	**15,541**	21,994
Broadcast licences	**99,805**	99,748
Future income tax assets (note 12)	**1,768**	2,010
	$ 155,724	160,082
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 6)	**$ 519**	1,910
Accounts payable and accrued liabilities	**13,944**	12,650
Dividends payable	**1,173**	1,190
Income taxes payable	**7,151**	4,639
Current portion of long-term debt (note 6)	**23**	78
Total current liabilities	**22,810**	20,467
Long-term debt (note 6)	**15,073**	26,595
Other liabilities (note 7)	**11,762**	13,978
Future income tax liabilities (note 12)	**8,963**	8,576
Non-controlling interest in subsidiaries	**10,868**	10,658
Shareholders' equity	**86,248**	79,808
	$ 155,724	160,082

Commitments and contingencies (note 16)
See accompanying notes to consolidated financial statements

On behalf of the Board:

signature
"H. R. Steele"

H. R. Steele, *Director*

signature
"D.I. Matheson"

D.I. Matheson, *Director*

CONSOLIDATED STATEMENTS OF INCOME – For the years ended December 31

(thousands of dollars, except per share data)			2004	2003
Revenue		$	**65,364**	61,502
Other Income			**1,768**	795
			67,132	62,297
Operating expenses			**51,922**	48,438
Depreciation			**1,791**	1,833
Amortization of deferred charges			**382**	507
Operating earnings			**13,037**	11,519
Interest expense (note 6)			**840**	1,462
Loss (income) on equity accounted investments			**296**	(263)
Gain on disposal of equity investment (note 5)			**(2,451)**	—
			14,352	10,320
Provision for income taxes (note 12)			**3,827**	3,793
			10,525	6,527
Non-controlling interest in subsidiaries' earnings			**361**	442
Net income		$	**10,164**	6,085
Earnings per share (note 13)	– basic	$	**0.85**	0.51
	– diluted		**0.84**	0.51

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY – For the years ended December 31

(thousands of dollars)		2004	2003
Retained earnings, beginning of year as originally stated	$	**34,989**	30,832
Retroactive application of change in accounting policy without restatement of prior periods (note 2(b))		**(560)**	—
Retained earnings, beginning of year as restated		**34,429**	30,832
Net income		**10,164**	6,085
Dividends declared		**(1,173)**	(1,190)
Repurchase of capital stock (note 10)		**(2,974)**	(738)
Retained earnings, end of year		**40,446**	34,989
Capital stock (note 10)		**45,300**	44,819
Contributed surplus (note 2(b))		**502**	—
Total shareholders' equity	$	**86,248**	79,808

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS – For the years ended December 31

(thousands of dollars)		2004	2003
Operating Activities			
Net income	$	**10,164**	6,085
Items not involving cash			
Depreciation and amortization		**2,173**	2,340
Future income taxes (note 12)		**629**	1,652
Gain on disposal of equity investment		**(2,451)**	—
Employee defined benefit plans		**(539)**	37
Non-controlling interest in subsidiaries' earnings		**361**	442
Other		**303**	(247)
		10,640	10,309
Change in non-cash working capital relating to operating activities (note 14)		**2,439**	(2,078)
		13,079	8,231
Financing Activities			
Change in bank indebtedness		**(1,391)**	1,199
Long-term debt borrowings		**6,000**	1,500
Long-term debt repayments		**(17,577)**	(5,315)
Issuance of capital stock (note 10)		**1,869**	1,946
Repurchase of capital stock (note 10)		**(4,684)**	(1,298)
Dividends paid		**(1,190)**	—
Canadian Talent Development commitment payments		**(1,782)**	(1,797)
Other		**(188)**	(198)
		(18,943)	(3,963)
Investing Activities			
Note receivable		**1,000**	1,000
Property and equipment additions		**(2,507)**	(2,296)
Proceeds from disposal of property and equipment		**11**	676
Proceeds from disposition of equity investment (note 5)		**11,295**	—
Investment in Halterm Income Fund Trust Units (note 5)		**(2,631)**	(2,557)
Deferred charges		**(48)**	(1,242)
Deposit for business and licence acquisition		**(500)**	—
Other		**(756)**	151
		5,864	(4,268)
Cash, beginning and end of year	$	**—**	—

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 affect 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

Short-term investments are valued, on an aggregate basis, at the lower of cost and market value at the balance sheet date. Investments in companies over which the Company exercises significant influence are accounted for by the equity method. Other long-term investments are accounted for at cost. Individual investments are written down to net realizable value when there has been a decline in value that is other than temporary.

(c) Property and equipment

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

	Radio	Corporate and other
Buildings	5%	5% — 15%
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) Deferred charges

Deferred charges relate to pre-operating costs which are expenditures incurred prior to the commencement of commercial operations of new broadcasting licences. They are amortized over the remaining period of the initial licence term, which is approximately five years. In addition, deferred charges include costs related to outstanding broadcast licence applications which will either be reclassified as broadcast licences if the applications are successful or charged to earnings if unsuccessful.

(e) 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.

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.

Broadcast licences are considered indefinite life intangibles and are therefore not amortized but are tested for impairment annually, or more frequently if events or circumstances indicate an impairment may have occurred. The method used to assess if there has been a permanent impairment in the carrying value of these assets is based on projected discounted cash flows which approximates fair value. Fair values are compared to the carrying values and an impairment loss, if any, is recognized for the excess of carrying value over fair value.

(f) Employee future benefits

The Company maintains defined contribution and defined benefit pension plans. The Company does not provide any non-pension post-retirement benefits to employees.

The Company matches employee contributions under the defined contribution plan. The Company's portion is recorded as compensation expense as contributions are made to the plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Employee future benefits (continued)

The defined benefit pension obligations are valued using the projected benefit method pro-rated on services and best estimate assumptions of expected plan investment performance, salary escalation and retirement ages. Pension plan assets are valued at market value. Long-term expected rate of return and the market value of assets are used to calculate the expected return on assets. Past service costs and 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 are amortized over the average remaining service period of active employees of 10 years (2003 — 10 years).

(g) Stock-based compensation

The Company has a share purchase plan for which the Company matches a portion of employees' payments toward the purchase of its Class A Subordinate Voting Shares. The Company's portion is recorded as compensation expense when contributions are made to the plan.

The Company has an executive stock option plan. The proceeds from the exercise of stock options are credited to capital stock when options are exercised. When stock options are granted, compensation expense is recognized over the vesting period and is measured using the fair value based method.

(h) Financial instruments

The carrying amounts of the Company's primary financial instruments recognized in the balance sheet approximate fair values except where fair value exceeds cost for investments and for derivatives which are disclosed elsewhere in these financial statements. The Company is subject to normal credit risk with respect to its receivables and it maintains a provision for potential credit losses. A large customer base and geographic dispersion minimize this risk.

The Company enters into interest rate swap agreements to hedge interest rate risk. The Company's policy is not to utilize interest rate swaps for trading or speculative purposes and only enters into agreements with Canadian chartered banks. The Company formally designates its swap agreements as hedges of specifically identified cash flows. The Company believes these agreements are effective as hedges as it formally assesses, both at the hedge's inception and on an ongoing basis, whether the swaps are highly effective in offsetting changes in interest rates. The Company uses the change in fair value method for measuring effectiveness.

Gains and losses on terminations of interest rate swap agreements are deferred and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement. In the event of early extinguishment of the debt obligation, any realized or unrealized gain or loss from the swap would be recognized in the consolidated statement of income at the time of extinguishment.

(i) Revenue recognition

Revenue earned from the 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. Revenue earned from the hotel operation is recognized as service is provided.

(j) Income taxes

The Company uses the liability method of accounting for income taxes. Future income tax assets and liabilities are 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 tax assets and liabilities are measured using the substantively enacted tax rates which are expected to be in effect when the differences are expected to be recovered, settled or reversed. Changes in future income taxes related to a change in substantively enacted tax rates are recognized in income in the period of the change. The Company recognizes the benefits of capital and non-capital loss carryforwards as future tax assets when it is more likely than not that the benefits will be realized.

(k) Earnings per share

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. ADOPTION OF NEW ACCOUNTING POLICIES

(a) Effective January 1, 2004, the Company has adopted the new accounting guideline for hedging relationships issued by the Canadian Institute of Chartered Accountants (CICA). To qualify for hedge accounting, the hedging relationship must be designated and documented at inception and there must be reasonable assurance that the hedging relationship will be effective. Effectiveness requires a high correlation

2. ADOPTION OF NEW ACCOUNTING POLICIES (continued)

of changes in fair values or cash flows between the hedged item and the hedging item. The Company's interest rate swap agreements are in compliance with this guideline and no impact resulted from the adoption of this new accounting guideline.

(b) Effective January 1, 2004, the Company has adopted the new accounting standard for stock-based compensation and other stock-based payments. This standard requires that the fair value of awards of stock options be expensed and credited to contributed surplus over the related vesting period. As stock options are exercised, the related contributed surplus amounts are removed from contributed surplus and credited to capital stock. The recommendations provide transitional provisions allowing companies alternatives on how to treat the fair value of stock option awards that were previously disclosed but not recorded as an expense. The Company has chosen to apply the standard retroactively without restatement whereby the fair value disclosed in 2002 and 2003 in the aggregate amount of $560,000 has been charged against opening retained earnings in 2004 with the corresponding credit to contributed surplus. Had the fair-value-based method been adopted prior to 2004, net income would have been reduced by $390,000 or $0.03 per share (basic and diluted) for the year ended December 31, 2003.

(c) In March 2004, the CICA issued a revised version of the recommendations on Employee Future Benefits to require additional disclosure about the assets, obligations, cash flows and net periodic benefit expense of employee future benefit plans. These recommendations do not change the measurement or recognition of these plans. The new disclosures are effective for years ended after June 30, 2004, and have been adopted by the Company effective as of that date.

(d) Effective January 1, 2004, the Company adopted on a prospective basis the CICA's recommendations on impairment of long-lived assets. These recommendations establish standards for the recognition, measurement and disclosure of the impairment of long-lived assets other than identifiable intangible assets with an indefinite life and stipulate that an impairment loss should be recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as any excess of the carrying value of an asset over its fair value. The adoption of this recommendation had no impact on the Company's results for the year ended December 31, 2004.

3. BUSINESS AND LICENCE ACQUISITIONS

The Company was awarded a new radio broadcast licence in Ottawa, Ontario in 2001. In February 2003, upon the launch of this new radio station, the Company became obligated to fund Canadian Talent Development commitments of $5,194,000 over a period of six years. This cost has been capitalized as broadcast licences.

The following summarizes the accounting for this transaction:

(thousands of dollars)		**2004**	2003
Broadcast licences	$	**—**	5,194
Working capital		**—**	(866)
Other liabilities		**—**	(4,328)
Cash consideration	$	**—**	—

4. PROPERTY AND EQUIPMENT

(thousands of dollars)		**Cost**	**Accumulated depreciation**	**Net book value**
2004				
Land	$	**1,767**	**—**	**1,767**
Buildings		**5,557**	**1,855**	**3,702**
Equipment		**25,670**	**13,094**	**12,576**
	$	**32,994**	**14,949**	**18,045**
2003				
Land	$	1,721	—	1,721
Buildings		5,699	1,806	3,893
Equipment		23,179	11,453	11,726
	$	30,599	13,259	17,340

5. OTHER ASSETS

(thousands of dollars)	**2004**	2003
Investment in Optipress Inc., at equity	**$ —**	8,844
Investment in Halterm Income Fund Trust Units	**5,164**	2,557
Employee share purchase and other loans	**3,117**	3,232
Investment tax credits recoverable	**2,363**	2,024
Deferred charges, net of amortization	**1,295**	1,629
Note receivable, net of current portion	**1,591**	2,279
Accrued pension benefit asset (note 8(b))	**1,125**	1,067
Other	**886**	362
	$ 15,541	21,994

During 2004, the Company sold its 1,411,800 shares of Optipress Inc. for proceeds of $11,295,000 and recognized a gain on disposal of $2,451,000.

The investment in Halterm Income Fund Trust Units is recorded at cost. This represents 13% of the outstanding trust units, with a market value of $8,051,000 at year end and a market value of $6,011,000 as at February 18, 2005.

Employee share purchase and other loans are payable on demand and bear interest at rates ranging from nil to prime minus 1%. The share purchase loans have a pledge of the related shares purchased as collateral with a market value of $6,125,000 (2003 — $5,635,000).

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 11.1% to 11.8%.

6. BANK INDEBTEDNESS AND LONG-TERM DEBT

(thousands of dollars)	**2004**	2003
Revolving term credit facility of $55 million, renewable annually, maturing April 2005, bearing interest at prime (4.25%; 2003 — 4.5%)	**$ 15,000**	26,500
Capital lease obligations, bearing interest at rates ranging from 8.4% to 11.0%	**—**	14
Other mortgages and loans bearing interest at prime plus 1%, maturing to 2009	**96**	159
	15,096	26,673
Less: Current portion	**23**	78
	$ 15,073	26,595

Subsequent to year end the Company renewed its credit facility which will now mature in April 2006. 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 instalments over two years.

Minimum required principal repayments under the assumption the Company exercises the option to convert to a non-revolving term, are as follows: 2005 — $23,000; 2006 — $3,773,000; 2007 — $7,523,000; 2008 — $3,773,000 and 2009 — $4,000.

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 included $794,000 for interest on long-term debt (2003 — $1,403,000).

7. OTHER LIABILITIES

(thousands of dollars)	2004	2003
Accrued pension benefit liability (note 8(b))	$ 5,778	6,259
Canadian Talent Development commitments related to broadcast licences awarded and acquired, net of current portion of $1,707 (2003 – $1,871)	5,984	7,719
	$ 11,762	13,978

The scheduled payments for the Canadian Talent Development commitments over the next five years are as follows: 2005 – $1,707,000; 2006 – $1,649,000; 2007 – $1,600,000; 2008 – $1,396,000; 2009 – $1,325,000 and thereafter $14,000. The current portion is included in accounts payable and accrued liabilities.

The Company has issued letters of credit totaling $2.0 million in support of certain of these liabilities.

8. EMPLOYEE FUTURE BENEFITS

(a) Defined contribution pension plan

The Company maintains a defined contribution employee pension plan covering the majority of its employees. The Company's contributions to the defined contribution plan are based upon percentages of gross salaries. The Company's contributions to the plan during 2004 were $884,000 (2003 – $825,000).

(b) Defined benefit plans

The Company maintains a defined benefit plan (the Basic Plan) for a small group of the Company's current and former employees. The plan provides pension benefits based on length of service and the last five years' of average earnings of each member. The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of December 31 of each year.

The most recent actuarial valuation of the pension plan was December 31, 2003, and the next required valuation will be December 31, 2006.

In addition, the Company has two individual Supplementary Retirement Pension Arrangements (SRPA's) that each pay a pension to a retired executive. These SRPA's provide benefits over and above that which can be provided under the Income Tax Act, and are thus not pre-funded. Unamortized and current costs of the SRPA's are expensed over the expected average remaining life of the participating executives.

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

	2004		2003	
	Basic Plan	SRPA	Basic Plan	SRPA
Discount rate	6.0%	6.0%	6.2%	6.2%
Expected long-term rate of return on plan assets	7.0%	N/A	7.0%	N/A
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%

8. EMPLOYEE FUTURE BENEFITS (Continued)

(b) Defined benefit plans (Continued)

The following summarizes the Company's defined benefit plans:

(thousands of dollars)		2004 Basic Plan	2004 SRPA	2003 Basic Plan	2003 SRPA
Accrued benefit obligations					
Balance – beginning of year	$	**3,251**	**8,065**	2,785	7,910
Current service cost		**65**	**13**	77	73
Interest cost		**203**	**416**	183	462
Benefits paid		**(99)**	**(495)**	(88)	(652)
Actuarial losses		**404**	**165**	294	272
Balance – end of year		**3,824**	**8,164**	3,251	8,065
Plan assets					
Fair value – beginning of year		**4,503**	**—**	3,965	—
Actual return on plan assets		**629**	**—**	621	—
Employee contributions		**4**	**—**	5	—
Benefits paid		**(99)**	**—**	(88)	—
Fair value – end of year		**5,037**	**—**	4,503	—
Funded status – plan surplus (deficit)		**1,213**	**(8,164)**	1,252	(8,065)
Unamortized net actuarial loss (gain)		**73**	**2,437**	(14)	1,653
Unamortized past service costs		**1,339**	**—**	1,496	213
Unamortized transitional asset		**(1,500)**	**(51)**	(1,667)	(60)
Accrued benefit asset (liability)	$	**1,125**	**(5,778)**	1,067	(6,259)

The accrued pension benefit asset is included under other assets (note 5) and the accrued pension benefit liability is included under other liabilities (note 7).

Elements included in the benefit plan expense recognized in the year are as follows:

(thousands of dollars)		2004 Basic Plan	2004 SRPA	2003 Basic Plan	2003 SRPA
Current service cost, net of employee contributions	$	**61**	**13**	72	73
Interest cost		**203**	**416**	183	462
Actual return on plan assets		**(629)**	**—**	(621)	—
Difference between expected return and actual return on plan assets		**317**	**—**	373	—
Amortization of past service costs		**157**	**5**	157	30
Amortization of net actuarial losses (gains)		**—**	**(411)**	—	61
Amortization of transitional assets		**(167)**	**(9)**	(167)	(8)
Defined benefit plan expense (income)	$	**(58)**	**14**	(3)	618

8. EMPLOYEE FUTURE BENEFITS (Continued)

(b) Defined benefit plans (Continued)

Plan assets, measured as at December 31, consist of:

	2004		2003	
	Basic Plan	**SRPA**	Basic Plan	SRPA
Equity funds	**68%**	**N/A**	69%	N/A
Fixed income funds	**26%**	**N/A**	29%	N/A
Money market funds	**6%**	**N/A**	2%	N/A
	100%	**N/A**	100%	N/A

The pension plan has no direct investments in Newfoundland Capital Corporation Limited nor any of its affiliates.

9. STOCK-BASED COMPENSATION PLANS

(a) Share purchase plan

Compensation expense for the Company's share purchase plan was $193,000 (2003 – $170,000) and is included in operating expenses.

(b) Executive stock option plan

The Company has reserved 1,564,506 Class A Subordinate Voting Shares pursuant to the executive stock option plan of which 215,756 remain available for issuance at December 31, 2004. The exercise price per share is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the shares on the last trading date preceding the date of the grant or the average closing price of the preceding twenty trading days. 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 expire at varying dates from 2006 to 2009 and have a weighted average remaining contractual life of 3.34 years (2003 – 3.40 years).

	2004		2003	
	Number	**Price***	Number	Price*
Balance, beginning of year	**862,000**	**$ 8.18**	1,098,000	$ 8.11
Granted	**200,000**	**11.43**	10,000	8.75
Exercised	**(232,000)**	**8.05**	(246,000)	7.91
Expired	**(25,000)**	**7.25**	—	—
Balance, end of year	**805,000**	**9.05**	862,000	8.18
Total options vested	**613,750**	**8.51**	745,000	8.12

Range of Exercise Price	Number of Options Outstanding at December 31, 2004	Weighted Average Remaining Life	Price*	Number of Options Exercisable at December 31, 2004	Price*
$ 7.30 — 8.00	310,000	3.48	$ 7.91	310,000	$ 7.91
8.40 — 8.95	295,000	2.35	8.64	253,750	8.67
11.20 — 11.66	200,000	4.60	11.43	50,000	11.43
	805,000	3.34	9.05	613,750	8.51

** weighted average exercise price*

9. STOCK-BASED COMPENSATION PLANS (Continued)

(b) Executive stock option plan (Continued)

The compensation expense related to stock options for 2004 is $264,000 and is recorded in operating expenses. The fair value was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2004	2003
Weighted average risk-free interest rate	**3.5%**	3.3%
Dividend yield	**0.9%**	0.0%
Weighted average volatility factors of the expected market price of the Company's Class A Subordinate Voting Shares	**25.3%**	26.8%
Weighted average expected life of the options	**5.0 years**	5.0 years
Weighted average fair value per option	**$ 3.40**	2.83

10. CAPITAL STOCK

	Issued shares	**2004**	2003
	(thousands)	(thousands of dollars)	
Capital stock (unlimited number authorized at no par value):			
Class A Subordinate Voting Shares (2003 – 10,643)	10,467	**$ 44,389**	43,908
Class B Common Shares (2003 – 1,258)	1,258	**911**	911
		$ 45,300	44,819

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

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.

The outstanding Class B Common Shares are convertible to Class A Subordinate Voting Shares at the option of the shareholder.

During the year, the Company repurchased 407,500 (2003 – 138,000) of its outstanding Class A Subordinate Voting Shares for a total cost of $4,684,000 (2003 – $1,298,000), pursuant to a Normal Course Issuer Bid. As a result of these share repurchases, capital stock was reduced by $1,710,000 (2003 – $560,000) and retained earnings reduced by $2,974,000 (2003 – $738,000). Subsequent to year end the Company received approval under a Normal Course Issuer Bid to repurchase up to 523,000 Class A Subordinate Voting Shares and 63,000 Class B Common Shares. This bid expires January 27, 2006.

During the year, the Company issued 232,000 (2003 – 246,000) Class A Subordinate Voting Shares for proceeds of $1,869,000 (2003 – $1,946,000) pursuant to the executive stock option plan described in note 9.

During the year, capital stock was increased and contributed surplus was decreased by $322,000 related to stock options exercised during the year.

11. FINANCIAL INSTRUMENTS

The Company has entered into two interest rate swap agreements to hedge interest rate risk whereby the Company will exchange the three-month bankers' acceptance floating interest rate for a fixed interest rate during the term of the agreements. The notional amount of the swaps total $15,000,000, $10,000,000 expires July 4, 2005 and $5,000,000 expires July 4, 2006. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The fair value of the interest rate swap agreements at year end is a net payable of $145,000 (2003 - $197,000) and has not been recognized in the accounts as the interest rate swaps qualify for hedge accounting.

12. PROVISION FOR INCOME TAXES

The Company's provision for income taxes is derived as follows:

(thousands of dollars, except percentages)	2004	2003
Income before income taxes and non-controlling interest	$ 14,352	10,320
Combined federal and provincial statutory income tax rate	35.7%	37.9%
Provision based on the statutory income tax rate	$ 5,123	3,911
Increase (decrease) due to:		
Future income tax recovery relating to the origination and reversal of temporary differences	(819)	—
Non-taxable portion of capital gains	(554)	(74)
Loss (income) from equity accounted investments	106	(100)
Large corporations tax and other	(29)	56
	$ 3,827	3,793
Comprised of:		
Current taxes	$ 3,198	2,141
Future income taxes	629	1,652
	$ 3,827	3,793

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

(thousands of dollars)	2004	2003
Future income tax assets		
Non-capital loss carryforwards	$ 1,994	1,196
Investment, at equity	—	436
Employee benefit plans	1,607	1,811
Future income tax liabilities		
Property and equipment	(1,734)	(1,699)
Broadcast licences	(9,062)	(8,310)
Net future income tax liability	$ (7,195)	(6,566)
Comprised of:		
Long-term future income tax assets	$ 1,768	2,010
Long-term future income tax liabilities	(8,963)	(8,576)
	$ (7,195)	(6,566)

Included in the above net income tax liability are future income tax assets of $1,994,000 resulting from unused non-capital tax losses aggregating $5,885,000 at year end which are available to reduce future income taxes otherwise payable. If unused, they will expire as follows: $1,302,000 in 2009; $2,140,000 in 2010 and $2,443,000 in 2011.

13. EARNINGS PER SHARE

(thousands)	2004	2003
Weighted average common shares used in calculation of basic earnings per share	11,911	11,841
Incremental common shares calculated in accordance with the treasury stock method	150	161
Weighted average common shares used in calculation of diluted earnings per share	12,061	12,002

14. SUPPLEMENTAL CASH FLOW INFORMATION

(thousands of dollars)		**2004**	2003
Change in non-cash working capital			
relating to operating activities			
Short-term investments	**$**	**(1,035)**	(408)
Receivables		**(309)**	(830)
Prepaid expenses		**(232)**	(81)
Accounts payable and accrued liabilities		**1,503**	(825)
Income taxes payable		**2,512**	66
	$	**2,439**	(2,078)
Interest paid	**$**	**804**	1,414
Income taxes paid		**1,306**	2,075

15. SEGMENTED INFORMATION

The Company has one separately reportable segment — radio, which consists of the operations of the Company's radio stations. This 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 earnings before depreciation and amortization 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 consists of a hotel and the head office functions. Its revenue relates to hotel operations and its other income relates to investment income.

Details of segment operations are set out below.

(thousands of dollars)		Radio	Corporate and other	Total
2004				
Revenue	**$**	**62,219**	**3,145**	**65,364**
Other income		**—**	**1,768**	**1,768**
		62,219	**4,913**	**67,132**
Operating expenses		**43,244**	**8,678**	**51,922**
Depreciation and amortization		**1,893**	**280**	**2,173**
Operating earnings (loss)	**$**	**17,082**	**(4,045)**	**13,037**
Assets employed	**$**	**132,862**	**22,862**	**155,724**
Capital expenditures		**2,292**	**215**	**2,507**
2003				
Revenue	$	58,400	3,102	61,502
Other income		—	795	795
		58,400	3,897	62,297
Operating expenses		41,222	7,216	48,438
Depreciation and amortization		1,974	366	2,340
Operating earnings (loss)	$	15,204	(3,685)	11,519
Assets employed	$	132,836	27,246	160,082
Capital expenditures		2,234	62	2,296

16. COMMITMENTS AND CONTINGENCIES

(a) Operating leases and other

The Company has total commitments of $20,970,000 under operating leases for properties and equipment. Minimum annual payments under these leases are as follows: 2005 – $2,693,000; 2006 – $2,309,000; 2007 – $1,790,000; 2008 – $1,446,000; 2009 – $1,240,000 and thereafter $11,492,000.

In accordance with a purchase and sale agreement entered into in April 2002, the Company is committed to acquire 50% of Standard Radio Inc.'s non-controlling interest in April 2009 for $5,287,000. The remaining half becomes due in April 2012.

(b) Acquisitions pending approval

The Company has entered into agreements to acquire broadcasting assets in Thunder Bay, Ontario, Red Deer, Alberta and Winnipeg, Manitoba for aggregate consideration of $13,000,000. These acquisitions are subject to the approval of the CRTC and will be funded with the Company's existing credit facility.

(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. On February 25, 2005 the Fund filed an Originating Notice and Statement of Claim pursuing a claim of $1,800,000 with respect to this indemnity for 2003, and indicated it will also pursue a claim for 2004. The Company intends to defend this claim vigorously. The extent of liability, if any, arising from this action is not determinable at this time.

(d) Legal Claims

A former executive has filed a claim against the Company. It is the Company's opinion that the severance package provided was fair and therefore the claim is without merit. The Company intends to vigorously defend this position and any liability that may arise from this claim is not determinable at this time.

The Company and its subsidiaries are involved in various other legal actions which arise out of the ordinary course and conduct of its business. Management believes any potential liabilities that may result from these actions have been adequately provided for and are not expected to have a material adverse effect on the Company's financial position or its results.

17. RELATED PARTY TRANSACTIONS

In 2003 the Audit and Governance Committee and the Board of Directors approved the sale of a redundant piece of property (land and building) for the sum of $610,000 to an entity controlled by the Chairman of the Company. The transaction was measured at the exchange amount, which was based on an independent appraisal of the property, and resulted in a gain of $135,000.

18. SUBSEQUENT EVENT

On December 22, 2004, the Company announced that the CRTC approved the purchase of the broadcasting assets of Shortell's Limited and its related companies. The transaction closed on January 31, 2005 for cash consideration of $13,000,000 plus an adjustment for working capital. The assets acquired include three radio broadcasting licences, two television broadcasting licences and an outdoor billboard business located in Lloydminster, Alberta. The acquisition will be accounted for as a purchase on January 31, 2005.

Craig L. Dobbin

David I. Matheson

Harry R. Steele

Robert G. Steele

Donald J. Warr

Craig L. Dobbin, O.C.[1]
St. John's, Newfoundland
Director since 1994
Executive Chairman,
CHC Helicopter Corporation

Craig Dobbin is Executive Chairman of CHC Helicopter Corporation, a public company traded on the Toronto and New York Stock Exchanges. CHC is the world's largest provider of global helicopter transportation.

Mr. Dobbin is Honorary Consul General of Ireland for Newfoundland and Labrador and a Member of the Canadian Council of Chief Executives. Mr. Dobbin was appointed an Officer of the Order of Canada in 1992.

David I. Matheson, Q.C.[1]
Toronto, Ontario
Director since March 2004
(and between 1986 and 1998)
Counsel, McMillan Binch LLP

David Matheson, as a counsel with a leading Canadian law firm, practices in a wide range of corporate, securities, governance, international and investment law matters. He serves as counsel to and as a director for Canadian public, private and charitable corporations, and has chaired and served on audit, governance, compensation and other board committees for various public companies. Mr. Matheson is a recipient of the Queen's Jubilee Medal and the Government of Ontario Volunteer Award.

Harry R. Steele, O.C.
Dartmouth, Nova Scotia
Director since 1972
Chairman of the Board of Directors

Harry Steele was President of Newfoundland Capital Corporation Limited from its inception in 1972 to May 1993 when he became Chairman and Chief Executive Officer. On May 1, 2002, Mr. Steele stepped down as CEO and continues in his role as Chairman of the Board.

Mr. Steele was appointed an Officer of the Order of Canada in 1992.

Robert G. Steele
Halifax, Nova Scotia
Director since 1997
President and Chief Executive Officer

Robert Steele was appointed President and Chief Executive Officer of Newfoundland Capital Corporation Limited on May 1, 2002. Since March 1, 2001 he had assumed the role of President and Chief Operating Officer.

Prior to joining the company, Mr. Steele built one of the most diversified auto dealerships in Atlantic Canada.

Mr. Steele is currently serving as a member of the Board of Directors of the Halifax Metro Chamber of Commerce. He is also a member of Advancement Nova Scotia, an advocacy organization designed to help build a stronger provincial economy.

Donald J. Warr, F.C.A.[1]
St. John's, Newfoundland
Director since 1995
Partner, Blackwood & Warr

Don Warr is partner in a Newfoundland accounting firm, Blackwood & Warr, Chartered Accountants. He is a graduate of Memorial University of Newfoundland and Labrador where he obtained a Bachelor of Commerce Degree in 1967 before obtaining his designation as a Chartered Accountant in 1970. Prior to starting his own practice in 1992, Mr. Warr was a tax partner with a large national accounting firm.

Mr. Warr is past president of the Newfoundland Institute of Chartered Accountants and was awarded the designation of F.C.A. in 1983 for outstanding service to the profession and the community.

[1] Member of the Audit and Governance Committee

ASSETS AT A GLANCE

Location	Name	Call Letters	Format	AM/FM	Frequency
WESTERN REGION (ALBERTA)					
Athabasca	Cat Country	CKBA	Hot Country	AM	850 kHz
Blairmore	Mountain Radio	CJPR	Hot Country	FM	94.9 MHz
	Mountain Radio	CJEV® Elkford, B.C.	Hot Country	AM	1340 kHz
Brooks	Cat Country Q13	CIBQ	Hot Country	AM	1340 kHz
Brooks	New		Adult Contemporary	FM	101.1 MHz
Calgary	The Breeze	CIQX	New Adult Contemporary/Smooth Jazz	FM	103.1 MHz
Camrose	CFCW	CFCW	Country	AM	790 kHz
Camrose	New		Classic Hits	FM	98.1 MHz
Cold Lake[3]	K-ROCK	CJXK	Classic Rock	FM	95.3 MHz
Drumheller	Cat Country Q91	CKDQ	Hot Country	AM	910 kHz
Edmonton	96X	CKRA	Adult Contemporary	FM	96.3 MHz
	K-Rock	CIRK	Classic Rock	FM	97.3 MHz
Edson	YR Radio	CJYR	Adult Contemporary	AM	970 kHz
	YR Radio[3]	CKYR® Jasper	Adult Contemporary	FM	95.5 MHz
	YR Radio	CKYR-1® Grande Cache	Adult Contemporary	AM	1230 kHz
	YR Radio	CFYR® Whitecourt	Adult Contemporary	FM	96.7 MHz
Lloydminster[2]	CKSA	CKSA	Country	FM	95.9 MHz
	CKSA	CKSA® Bonnyville	Country	FM	101.3 MHz
	CILR	CILR	Tourism Information	FM	98.9 MHz
	CKSA-TV	CKSA-TV	CBC Network Affiliate	N/A	N/A
	CITL-TV	CITL-TV	CTV Network Sub-affiliate	N/A	N/A
High Prairie	Cat Country	CKVH	Hot Country	AM	1020 kHz
Hinton[3]	YR Radio	CIYR	Adult Contemporary	FM	97.5 MHz
Slave Lake	Cat Country KWA	CKWA	Hot Country/Adult Contemporary	AM	1210 kHz
St. Paul	Cat Country 1310	CHLW	Hot Country	AM	1310 kHz
Stettler	Cat Country Q14	CKSQ	Hot Country	AM	1400 kHz
Wainwright	Cat Country Key 83	CKKY	Hot Country	AM	830 kHz
Wainwright[1]	Wayne-FM	CKWY	Adult Contemporary	FM	93.7 MHz
Westlock	Cat Country	CFOK	Hot Country	AM	1370 kHz
Wetaskiwin	Cat Country 1440 KJR	CKJR	Hot Country	AM	1440 kHz
ATLANTIC REGION					
Fredericton, NB[1]	New	CFRK	Classic Rock	FM	92.3 MHz
Moncton, NB	C103	CJMO	Classic Rock	FM	103.1 MHz
	XL96	CJXL	Hot Country	FM	96.9 MHz
Halifax, NS	780 KIXX	CFDR	Country Classics	AM	780 kHz
	Q104	CFRQ	Classic Rock	FM	104.3 MHz
	KOOL 96.5	CKUL	Classic Hits	FM	96.5 MHz
Charlottetown, PEI	CHTN	CHTN	Oldies	AM	720 kHz
Carbonear, NL	CHVO	CHVO	Country	AM	560 kHz
Clarenville, NL	CKVO	CKVO	Country	AM	710 kHz
Corner Brook, NL	K-Rock	CKXX	Classic Rock	FM	103.9 MHz
	K-Rock	CKXX-1® Stephenville	Classic Rock	FM	95.3 MHz
	CFCB	CFCB	Country	AM	570 kHz
	CFCB	CFDL® Deer Lake	Country	FM	97.9 MHz
	CFCB	CFNW® Port au Choix	Country	AM	790 kHz
	CFCB	CFNN® St. Anthony	Country	FM	97.9 MHz
Gander, NL	K-Rock	CKXD	Classic Rock	FM	98.7 MHz
	VOCM Radio Network	CKGA	News/Talk/Country	AM	650 kHz
Goose Bay, NL	Radio Labrador	CFLN	Country	AM	1230 kHz
	Radio Labrador	CFLC® Churchill Falls	Country	FM	97.9 MHz
	Radio Labrador	CFLW® Wabush	Country	AM	1340 kHz
Grand Falls-Windsor, NL	K-Rock	CKXG	Classic Rock	FM	102.3 MHz
	K-Rock	CKXG-1®	Classic Rock	FM	101.3 MHz
	K-Rock	CKIM® Baie Verte	Classic Rock	AM	1240 kHz
	VOCM Radio Network	CKCM	Country	AM	620 kHz
Marystown, NL	CHCM	CHCM	Country	AM	740 kHz
St. John's, NL	Radio Newfoundland	CJYQ	Newfoundland Music	AM	930 kHz
	HITS-FM	CKIX	Contemporary Hit Radio	FM	99.1 MHz
	590 VOCM	VOCM	News/Talk/Country	AM	590 kHz
	K-Rock	VOCM	Classic Rock	FM	97.5 MHz
	K-Rock	VOCM-1® Clarenville	Classic Rock	FM	100.7 MHz
Stephenville, NL	CFCB	CFSX	Country	AM	870 kHz
	CFCB	CFGN® Port aux Basques	Country	AM	1230 kHz
	CFCB	CFCV® St. Andrew's	Country	FM	97.7 MHz
CENTRAL REGION (ONTARIO)					
Kitchener	KICX 99.5	CIKZ	Country	FM	99.5 MHz
Ottawa	Hot 89.9	CIHT	Contemporary Hit Radio	FM	89.9 MHz
Sudbury	Z103	CHNO	Contemporary Hit Radio	FM	103.9 MHz
Thunder Bay	The Giant	CKTG	Hot Adult Contemporary	FM	105.3 MHz

® Repeating signal [1]New licence awarded by CRTC. [2]Purchase approved by CRTC. [3]The Company received approval to convert these stations to FM.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

David I. Matheson, Q.C.*
Counsel
McMillan Binch LLP

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 and Governance 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

Mark S. Maheu
Executive Vice President and Chief Operating Officer

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
Telephone: 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.SV.A and NCC.MV.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 3, 2005, Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, NS

Front Cover Photos

A	B	C	D
E	F	G	H

I	J	K	L
M	N	O	P
Q	R	S	T

A Griff Henderson, Kool 96.5, Halifax
B *(l-r)* Audrey Whelan, Carla Foote and Vince Gallant, VOCM News, St. John's
C K-Rock is a proud sponsor of the Newfoundland and Labrador triathlon
D Doug Mattice, 96X, Edmonton
E Shannon Tyler, 96X, Edmonton
F K-Rock's Edmonton Morning Team donates sports equipment to Jamaican school
G *(l-r)* Jody Sparkes and Phonse King, VOCM, St. John's
H K-Rock Critters hockey team, Edmonton
I K-Rock participates in the Newfoundland and Labrador triathlon festivities
J Randy Simms, VOCM, St. John's
K BJ Wilson, 96X, Edmonton
L Vaughn Rowsell of the "Cobblestones" and Brenda Silk, VOCM, St. John's
M Young Canada Day supporter in Corner Brook, Newfoundland and Labrador
N Rob Berg, 96X, Edmonton
O Brenda Dittrich and Terilyn Paulgaard, from Edmonton's creative department
P Part of the K-Rock Crew. *(back, l-r)* Bill Cowen, Melissa Wright, Nick Addams, Marcia MacDonald, *(front, l-r)* Steve Zimmerman, Darlene Check, Terry Evans, Edmonton
Q Steve Lunn, Engineering Department, Halifax
R Paul Magee and Claudette Barnes, VOCM, St. John's
S Leanne Sharpe, Randy Snow and Bill Gregory, HITS FM, St. John's
T Fairy Godmother event, Hot 89.9 FM, Ottawa

THE POWER OF RADIO TO MOVE PEOPLE

Newfoundland Capital Corporation Limited

745 Windmill Road, Dartmouth, Nova Scotia, Canada B3B 1C2

www.ncc.ca