



Newfoundland and Labrador Industrial Development Corporation

**Government of Newfoundland and Labrador
Department of Finance**

Annual Report

March 31, 2008

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL
DEVELOPMENT CORPORATION**

P. O. Box 8700
St. John's, Newfoundland and Labrador
A1B 4J6

September 19, 2008

Honourable Thomas W. Marshall, Q.C.
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL
A1B 4J6

Dear Minister Marshall:

On behalf of the Board of Directors, it is my pleasure to submit the Annual Report for the Newfoundland and Labrador Industrial Development Corporation summarizing the Corporation's activities for the fiscal year ended March 31, 2008. This report has been prepared in accordance with the provisions of Section 16 of the *Industrial Development Corporation Act* and Section 9 of the *Transparency and Accountability Act*.

The Board of Directors has approved the financial statements and information contained in this report, and the Board is accountable for the results reported herein.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Paddon', with a long horizontal line extending to the right.

Terry Paddon
Chairman of the Board

Operational and Corporate Information

NIDC has no direct employees as the day-to-day affairs are administered by employees of the Department of Finance. Contact information is as follows:

Mailing Address:

Newfoundland and Labrador
Industrial Development Corporation
c/o Department of Finance
Confederation Building
East Block, Main Floor
P. O. Box 8700
St. John's, NL
A1B 4J6

Office Location:

Debt Management Division
Department of Finance
Confederation Building
East Block, Main Floor
Telephone: (709)-729-2927
Fax: (709) 729-2095

Departmental Website:

www.gov.nl.ca/fin

HIGHLIGHTS

During fiscal year 2007-08, there were no new investments made or assistance provided by NIDC.

PROGRESS ON OBJECTIVES – 2007-08

Objective:

By March 31, 2008, NIDC will have entered into commercial investments or other arrangements as directed by the Province.

Measure:

Commercial investments or other arrangements completed as directed by the Province.

Indicators:

- Board approval of completed transactions as documented and approved in the Annual Activity Report.
- Tabling of Annual Activity Report in the House of Assembly.

Result of 2007-08 Objective:


As there was no direction for such by the Province, no new investments were made during the year.

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2008 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
30 May 2008

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

BALANCE SHEET

31 March

2008

2007

(000's)

(000's)

ASSETS

Current

Cash	\$ 332	\$ 223
Accounts receivable	-	50
	332	273
Investments, at cost (Note 2)	33,500	33,950
	\$ 33,832	\$ 34,223

LIABILITIES AND SURPLUS

Current

Accounts payable and accrued liabilities	\$ 1	\$ 1
Long-term debt (Note 3)	29,411	29,411
	29,412	29,412
Surplus	4,420	4,811
	\$ 33,832	\$ 34,223

See accompanying notes

Signed on behalf of the Board of Directors:



Chairperson



Director

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March

	2008	2007
	(000's)	(000's)
REVENUES		
Lease income (Note 2(c))	\$ 50	\$ 50
Interest and investment income	10	8
	<u>60</u>	<u>58</u>
EXPENSES		
Write down of investment (Note 2(b))	450	-
Professional services	1	1
	<u>451</u>	<u>1</u>
Excess of revenues over expenses (expenses over revenues)	(391)	57
Surplus, beginning of year	4,811	4,754
Surplus, end of year	\$ 4,420	\$ 4,811

See accompanying notes

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

**STATEMENT OF CASH FLOWS
For the Year Ended 31 March**

	2008	2007
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	\$ (391)	\$ 57
Add non-cash item:		
Write down of investment (Note 2 (b))	450	-
	59	57
Changes in non-cash working capital	50	-
Net increase in cash	109	57
Cash, beginning of year	223	166
Cash, end of year	\$ 332	\$ 223

See accompanying notes

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

Authority

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Basis of accounting

These financial statements have been prepared by NIDC's management in accordance with Canadian generally accepted accounting principles.

2. Investments

	2008	2007
	(000's)	(000's)
Water rights held in Labrador	\$ 30,000	\$ 30,000
Griffiths Guitars International Limited, 43,269 Preference Shares	-	450
<u>Icewater Seafoods Inc., 35,000 Preference Shares</u>	<u>3,500</u>	<u>3,500</u>
	\$ 33,500	\$ 33,950

(a) Water rights held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited had the option of purchasing NIDC's water rights to the Lower Churchill River in consideration for the issuance of 3,000 Class B common shares without nominal or par value. These shares were to be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 2007 but was extended to 24 November 2008. However, subsequent to the year end, the Legislature of the Province passed the *Energy Corporation of Newfoundland and Labrador Water Rights Act*, which extinguished NIDC's water rights to the Lower Churchill River, without any compensation.

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2. Investments (cont.)

(b) Griffiths Guitars International Limited

During 2007-08, Griffiths Guitars International Limited was placed in receivership. The Company's assets were sold to a third party, however the proceeds from the sale were insufficient to provide any return on the Company's preference shares. As a result, the Corporation's investment in Griffiths Guitars International Limited, which was valued at \$450,000, has been written down to \$0.

(c) Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of \$3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of \$100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two \$1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years at \$50,000 each year and is subject to certain restrictions and conditions contained in the lease agreement.

3. Long-term debt

	2008	2007
	(000's)	(000's)
Non-interest bearing notes payable to the Province, no fixed terms of repayment or maturity dates	\$ 29,411	\$ 29,411

This debt was incurred to purchase water rights held in Labrador, valued at \$30,000,000 (Note 2(a)). Subsequent to the year end, the Legislature of the Province passed the *Energy Corporation of Newfoundland and Labrador Water Rights Act*, which extinguished NIDC's water rights to the Lower Churchill River, without any compensation. Since there is no prospect of repayment of the long term debt, NIDC will request that the Province approve the write-off of the debt.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS
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4. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act*, the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

5. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and therefore are not reflected in these financial statements.

6. Financial instruments

NIDC's short-term financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

NIDC's long-term financial instruments recognized on the balance sheet consist of long-term debt in the form of non-interest bearing notes payable to the Province with no fixed terms of repayment or maturity dates. The carrying value of the debt approximates fair value to NIDC and is not subject to interest rate risk.

7. Economic dependence

As a result of NIDC's reliance on Provincial funding, its ability to continue viable operations is dependent upon the decisions of the Province.

8. Income taxes

NIDC is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.