RDC
RESEARCH & DEVELOPMENT CORPORATION
NEWFOUNDLAND AND LABRADOR

At RDC, We See Things Differently

ANNUAL REPORT 2012–2013

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Photos by Dave Howells for RDC.

RDC has opened doors for academic researchers and businesses to perform R&D in areas of strategic priority to our economy

Message from the Chair

The Research & Development Corporation (RDC) continues to see immense possibilities through investment in research and development (R&D), a crucial component to a sustainable future for Newfoundland and Labrador. For this reason, RDC maintains its commitment to increasing the focus, quality, quantity, and relevance of R&D performed in the province. Through the development and implementation of unique programs and services, RDC is working to increase R&D capacity. With sound strategic direction and dedicated staff, RDC has opened doors for academic researchers and businesses to perform R&D in areas of priority to our economy.

At RDC, we see things differently. We not only recognize the importance of R&D in stimulating economic growth, but we take a holistic approach to building R&D capacity in the province. This means supporting collaboration between academia and business, focusing on our natural strengths and attracting and retaining new R&D performers who will one day become leaders in this province. We focus on supporting the small business sector, helping to increase R&D capabilities and enhance innovation and competitiveness. We support the development of world-class infrastructure for researchers to perform R&D. Finally, we take advantage of Newfoundland and Labrador's existing resources by focusing on increasing R&D in priority areas that will have long-term benefits for the economy, such as energy and ocean technology.

Using this approach, RDC has experienced much success. Supporting more than 270 researchers and over 70 business clients, we have directed $74 million to over 390 projects since our inception. In the past year, RDC launched ArcticTECH, a new program designed to enhance Newfoundland and Labrador's R&D capabilities and expertise in Arctic and other harsh operating environments. This is just one example of how RDC sees opportunities for the province to thrive in areas of competitive advantage.

Looking forward, the organization is exploring new opportunities in R&D, and working to establish itself as an R&D performer in Newfoundland and Labrador.

On behalf of the Board of Directors, I am pleased to present RDC's 2012–13 Annual Report, which is submitted in accordance with the Provincial Government's commitment to accountability. We remain fully accountable for the results of the Research & Development Corporation's performance from April 1, 2012 to March 31, 2013, as presented in this report.

Sincerely,

M. Jacqueline (Jackie) Sheppard, Q.C.
Chair

RDC's Board of Directors

RDC's independent Board of Directors includes experts from the province of Newfoundland and Labrador and around the world. Directors are experienced in a wide range of R&D activities and represent the private sector, researchers, post-secondary educational institutions, and the provincial government.

Q.C., M.A., L.L.B., B.A.

Jackie Sheppard is a Rhodes Scholar, recognized nationally as one of Canada's leading businesswomen. Ms. Sheppard recently retired as Executive Vice-President, Corporate and Legal, and Corporate Secretary of Talisman Energy Inc., having joined Talisman in 1993. Ms. Sheppard resides in Calgary, Alberta and brings extensive knowledge and experience from the private sector in energy and corporate governance to RDC's Board of Directors.

M.SC., B.SC., P.ENG.

Alan Brown recently retired from the Oil & Gas business after many years in Technical, Operational and Business leadership roles around the globe. Most recently he has served as Vice-President, East Coast Canada with Suncor Energy Inc. (formerly Petro-Canada). He now lives in Aberdeen, Scotland where he maintains contact with a number of Energy Industry players while endeavouring to support RDC and NL efforts to grow globally competitive technical and business capacity.

DR. TECH., P. ENG.

Dr. Brian Veitch is an internationally recognized expert on marine transport, offshore safety, and testing and evaluation of advanced ocean technologies. He is currently a professor with the Faculty of Engineering and Applied Science at Memorial University. Dr. Veitch is a member of the Society of Naval Architects and Marine Engineers as well as the Royal Institution of Naval Architects.

Laurier L. Schramm, Director

PH.D., B.SC.(HON.), P.CHEM., C. DIR., FCIC

Dr. Laurier Schramm is an award-winning proponent for best practices in university-industry R&D collaborations. Dr. Schramm has over 30 years of experience in R&D management, having worked in each of the industry, not-for-profit, university, and government sectors. He is currently the President and CEO of the Saskatchewan Research Council in Alberta.

Hege Rognø, Director

M. ENG.

Hege Rognø has thrived in positions of increasing responsibility within areas of petroleum technology/ production, exploration, research, operations and business development. Ms. Rognø resides in Trondheim, Norway and is currently the Vice President, Statoil R&D Subsea Technologies. She is responsible for the development of the next generation Subsea and Multiphase Flow technologies for Statoil.

Terry-Lynn Young, Director

PH.D., M.SC., B.SC. (HON.)

Dr. Terry-Lynn Young is a renowned expert in gene discovery research of medically important conditions. She is currently an Associate Professor in the Faculty of Medicine at Memorial University, a Laboratory Scientist with Eastern Health and serves as Director on the Beatrice Hunter Cancer Research Institute and the Institute of Genetics Advisory Board for Canadian Institute of Health Research (CIHR).

Mark Ploughman, Non-voting Director

B.ENG., MBA

Mark Ploughman has spent over 25 years in the manufacturing sector. He has extensive experience in quality assurance, operations management, human resource management and new product development. Mr. Ploughman is currently the Assistant Deputy Minister with the Department of Innovation, Business and Rural Development.

Gary Dinn, Director

P. ENG.

Gary Dinn is well versed in the area of Ocean Technology, bringing over 25 years of experience from the private sector in a variety of roles including consultant, engineer, corporate director and manager. Mr. Dinn is currently the Vice President of PanGeo Subsea, a company responsible for leading edge technical advances in subsea acoustics, geotechniques, and enhanced seismic developments.

Glenn Janes, CEO and Non-voting Director

M.SC., MBA, B.SC., C.DIR.

Glenn Janes is a Rhodes Scholar and the CEO of the Research & Development Corporation. He has held a range of progressively senior positions with companies involved in research, development and technology commercialization processes, including most recently, Imperial Innovations Group plc in London, England.

RDC Overview

RDC is committed to finding solutions to the challenges facing Newfoundland and Labrador's R&D performers and promoting economic growth through investments in people, research, and infrastructure. RDC's investments and programs are part of a long-term strategy, designed to achieve significant and long-lasting results for the province.

Policy and Government Coordination

RDC influences and supports the creation and implementation of government initiatives, such as policy and programs, that impact R&D growth and development opportunities in Newfoundland and Labrador.

Advocacy and Cooperation between Client Groups

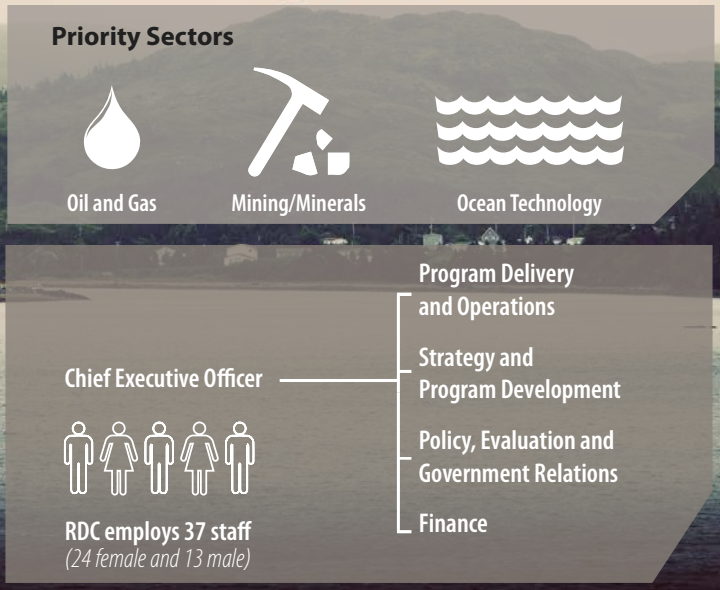
RDC establishes and promotes collaboration between businesses, academia, and government.

Program Delivery and Development

RDC provides financial support to those who undertake R&D and plays a role in the stewardship of the investment.

R&D Asset Investment

RDC invests in people, equipment, and facilities that support collaborative R&D.



MANDATE

To strengthen the focus, quantity, quality and relevance of research and development undertaken in the province and elsewhere for the long-term economic benefit of the province.

VISION

R&D fuels innovation and creates economic growth and prosperity in Newfoundland and Labrador.

*MISSION

By March 31st, 2017 RDC will have increased the capacity of business, academic, and government clients to perform and utilize research and development in priority areas towards the creation of long-term economic benefit for the province.

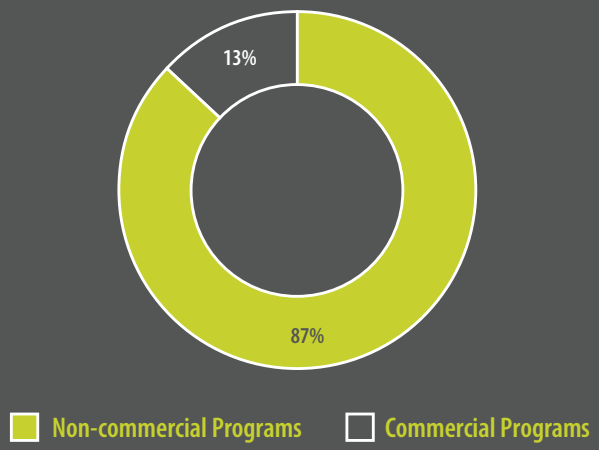
**RDC's entire Mission, including measures and indicators, is outlined in the 2011-14 strategic plan.*

RDC programs enable clients to conduct the R&D needed to solve technical challenges and realize new opportunities. The breadth of program offerings supports researchers at every stage of their career and fosters collaboration between business and academia.

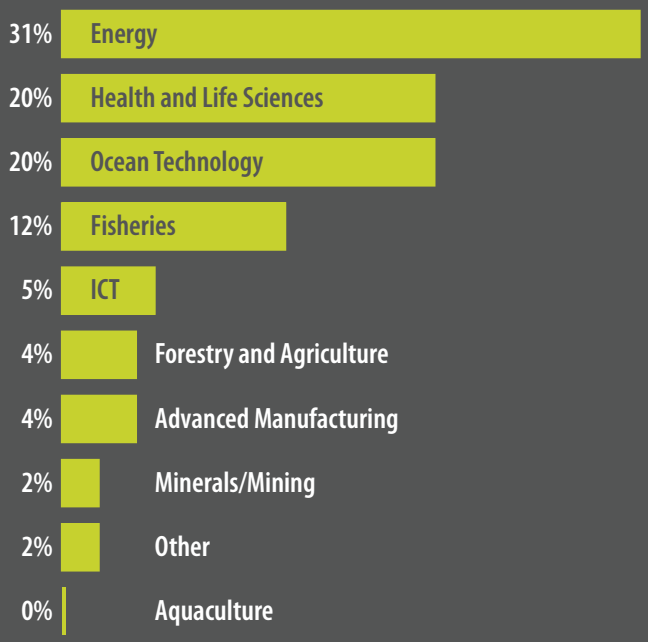
Although RDC focuses on investing in priority sectors that are of economic relevance to the province, continued support for R&D projects in other sectors is important to further enhance R&D capacity. In order to obtain the most from existing resources, RDC also supports sectors such as advanced manufacturing, aquaculture, forestry, agriculture and information and communication technology (ICT). This approach targets a broad audience of R&D performers across a variety of disciplines.

RDC has proven itself to be a key player in increasing Newfoundland and Labrador's R&D capacity. The organization works with clients to advance them from research and development to commercialization through the scope of programs offered.

PROGRAM EXPENDITURES BY PROGRAM TYPE (2012 – 13)



SUPPORTED SECTORS (2012 – 13)



Programs Supporting Academia

Programs Supporting Business

Programs Supporting Priority Sectors

Program	Description	Maximum RDC Contribution
Collaborative R&D	Strengthens institutional R&D capacity through supporting business-academic collaboration	$800,000
IgniteR&D	Strengthens institutional R&D capacity through providing funding for new researchers	$100,000
LeverageR&D	Strengthens institutional R&D capacity through leveraging against other funding sources	$500,000
RISE	Exposes top Newfoundland and Labrador high school students to research activities and encourages them to pursue research-related career paths	$100,000 annual program budget
R&D Vouchers	Provides businesses access to local, national, and international scientific and technical equipment, expertise, and research facilities	$15,000
R&D Proof of Concept	Increases the technical capacity of businesses to perform R&D and reduces the financial risk of R&D activities	$250,000
Industrial R&D Fellowships	Enables businesses to hire post-doctoral researchers	$30,000 annually
ArcticTECH	Advances R&D in support of the development of Arctic technologies, and enhances Newfoundland and Labrador's R&D capabilities and expertise in Arctic and other harsh operating environments	$500,000
GeoEXPLORE	Enhances geoscience R&D capacity in support of mineral and petroleum exploration and development	Academia = $250,000 (over 3 years) Business = Contribution determined by project need
PetroleumR&D Accelerator	Strengthens Newfoundland and Labrador's capacity as a R&D performer in petroleum exploration, development and operations	$5,000,000
OISRA	Attracts and develops world-class talent in ocean industries	$7,500 (Undergraduate) $30,000 (Graduate) (Over 3 years)

At RDC, We See Things Differently

Burton's Cove Logging and Lumber Limited – Hampden, NL

Research and development provides the foundation for R&D performers to increase product offerings, build better tools, optimize efficiency, access more resources, modernize technology, challenge perceptions, and enhance competitive advantage. R&D is an essential component of innovation, a key priority for the Government of Newfoundland and Labrador. It is about finding creative ways to solve problems, respond to change and continuously make improvements that will sustain competitiveness.

The road from developing and testing an original idea to introducing it in the marketplace can be long and costly. RDC provides the resources needed for R&D performers to thrive within their areas of expertise. RDC recognizes the challenges faced by academia and business in fostering an innovative environment and builds partnerships that provide both the experience and time to conduct relevant research. This will increase the R&D capacity among academic institutions and businesses, increase efficiency of the innovation process, and enable economic growth.

We See Collaborative Relationships as a Key to Success

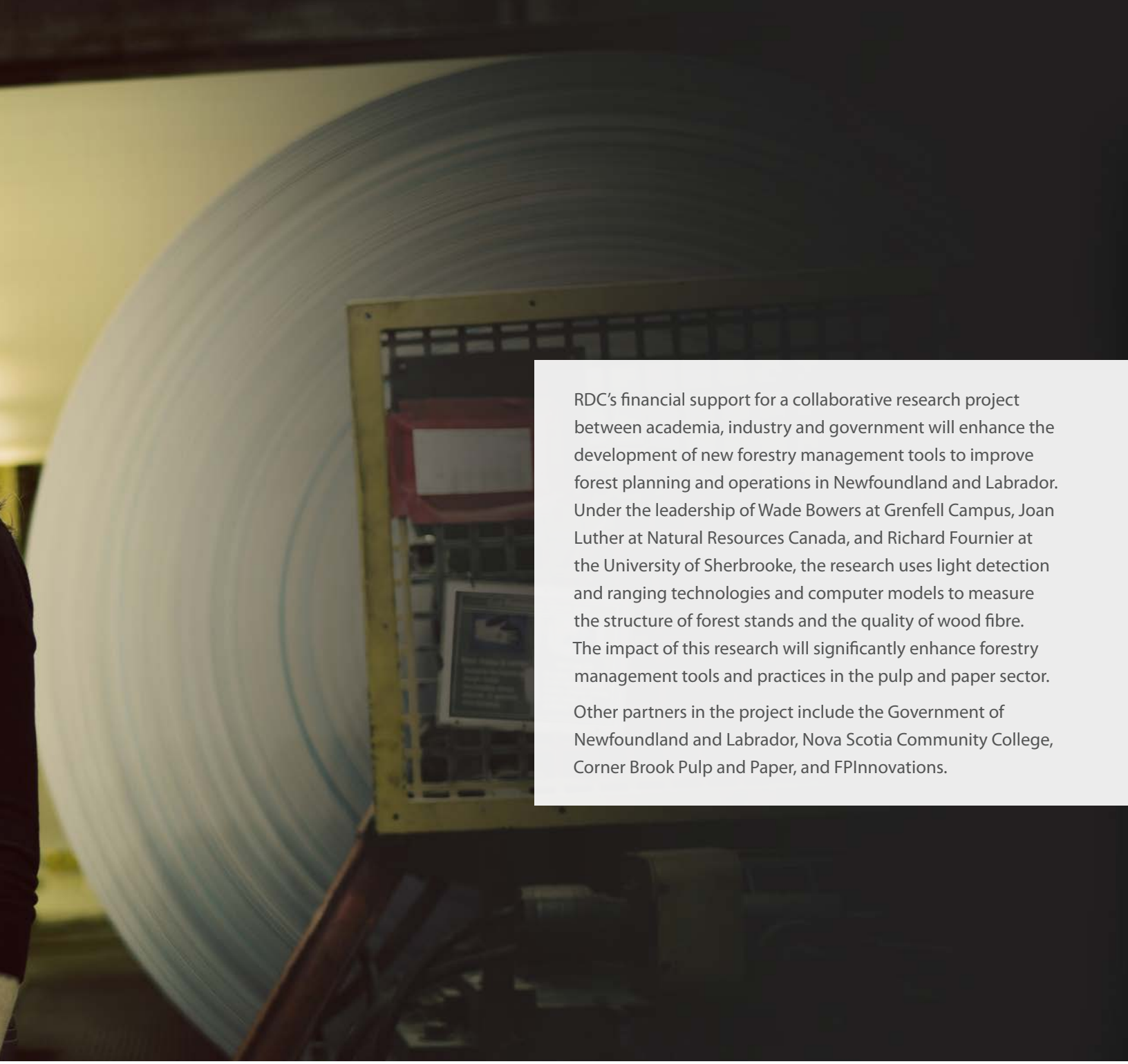
Pictured from left to right: Tim Moulton, Corner Brook Pulp and Paper, Wade Bowers, Grenfell Campus, Joan Luther, Natural Resources Canada

SHARED COMMITMENTS

At RDC, we see immense value in collaborating with R&D stakeholders. As a key component of our programs, RDC's strategy is deeply rooted in collaboration that enhances R&D. Above all, RDC works collaboratively with multiple stakeholders to grow R&D capacity in Newfoundland and Labrador. We enable our partners to undertake new projects, pursue new discoveries and support long-term economic prosperity in the province through their efforts.

BUSINESS

Focusing on business-led R&D is of strategic importance to RDC. Because business-led R&D often results in shorter timelines between investment and return, enhancing the R&D performed in this area has the potential to reap significant economic benefits. RDC frequently collaborates with business clients, industry associations, and business groups to identify industry needs, develop expertise, and solve technical problems. These relationships are essential to the growth of R&D capacity in the province.



RDC's financial support for a collaborative research project between academia, industry and government will enhance the development of new forestry management tools to improve forest planning and operations in Newfoundland and Labrador. Under the leadership of Wade Bowers at Grenfell Campus, Joan Luther at Natural Resources Canada, and Richard Fournier at the University of Sherbrooke, the research uses light detection and ranging technologies and computer models to measure the structure of forest stands and the quality of wood fibre. The impact of this research will significantly enhance forestry management tools and practices in the pulp and paper sector.

Other partners in the project include the Government of Newfoundland and Labrador, Nova Scotia Community College, Corner Brook Pulp and Paper, and FPInnovations.

ACADEMIA

RDC works with academic institutions such as Memorial University and the College of the North Atlantic to support and increase highly trained personnel in Newfoundland and Labrador. Academic researchers are significant contributors to the R&D performed in the province. RDC supports these academic institutions by funding its researchers, students, and infrastructure needs, while facilitating partnerships with businesses that benefit from research activities that are relevant to industry needs.

GOVERNMENT

As a crown corporation, RDC is funded by the Government of Newfoundland and Labrador through our budgetary allocation and RDC works with the Provincial Government as our owner, partner, and client. RDC is accountable to the people of the province through a Board of Directors that oversees the organization.

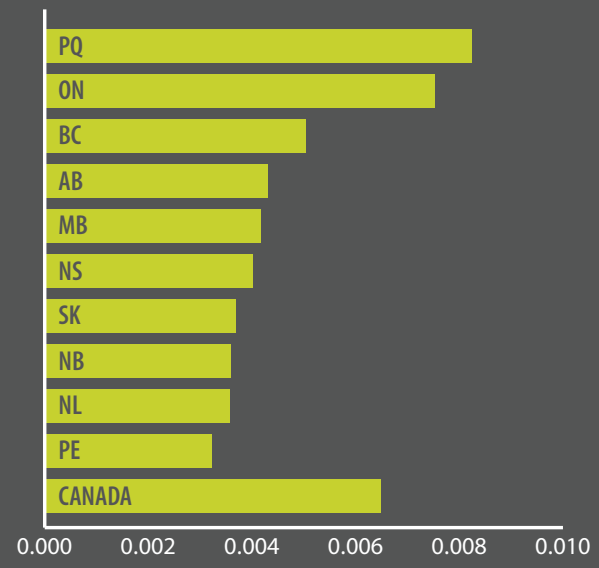
We See a New Generation of R&D Leaders

INVESTING IN PEOPLE

In 2010, Newfoundland and Labrador had 1,830 people employed in some facet of R&D, ranking second to last in Canada and marking the third consecutive year in which the number of research personnel declined. Even taking into account the size of Newfoundland and Labrador's population, the province still ranks second to last with less than 0.36% of the population employed in R&D (See Figure 1). To alleviate challenges resulting from a lack of research personnel, RDC invests in the development of highly qualified people.

FIGURE 1.

R&D PERSONNEL AS % OF POPULATION CANADA AND PROVINCES, 2010



Source: Statistics Canada (2013). Cansim Tables 358-0160 & 051-0001.

At RDC we recognize the importance of supporting the innovative and highly-skilled personnel that will grow the R&D capacity of the province. RDC programs are designed to attract and retain new R&D performers that will become the next generation of R&D leaders in this province. Programs targeted to new researchers include: IgniteR&D, the Ocean Industries Student Research Awards (OISRA), and the Research Inspired Student Enrichment (RISE) Awards.

Through the CollaborativeR&D program, RDC has partnered with industry to sponsor research chairs in strategic sectors. As leaders in their fields, research chairs play a critical role in deepening our knowledge base, strengthening our research capacity, and training new highly qualified personnel.

- The **Statoil Chair** and **Statoil Associate Chair** in Reservoir Engineering at Memorial University foster the development of a new Petroleum Engineering Research Program in the Faculty of Engineering and Applied Science. RDC contributed $1 million over five years to support expertise in this priority sector.
- The **Chevron Chair** in Petroleum Engineering at Memorial University builds research capacity in petroleum engineering. RDC invested $500,000 over five years to create this chair.
- RDC contributed $500,000 over five years to create the **NSERC-Altius Industrial Research Chair** at Memorial University. The investments, including those from NSERC, Altius and Memorial, will strengthen research capacity in mineral exploration in the province.

PROGRAMS TO SUPPORT PEOPLE:

IgniteR&D

CollaborativeR&D

LeverageR&D

OISRA

RISE

IN 2012–13, RDC CONTRACTED IN EXCESS OF $6.5 MILLION OVER 70 PROJECTS. THESE PROJECTS SUPPORTED 88 STUDENTS AND OVER 100 RESEARCHERS.

Jessica Wyatt, Ocean Industries Student Research Award Recipient

Jessica Wyatt wanted to better understand the effects of long-term storage on the quality of mussels. As part of her Master's program at Memorial University, and with the support of RDC's Ocean Industries Student Research Awards, Jessica undertook a year of fieldwork in rural Newfoundland and Labrador. Her research led to findings related to changes in tissue weight and stress response – this is important considering long-term storage of mussels has been shown to decrease meat quality, yield and shell strength and lead to mortality. Since completing her research as a recipient of RDC's awards, Ms. Wyatt has worked professionally with the Department of Fisheries and Oceans.

"Being chosen as one of the first-ever recipients of RDC's Ocean Industries Student Research Awards opened a lot of doors for me as a Master's student. The funding allowed me to travel to rural parts of the province to complete important research related to mussel growth."

– Jessica Wyatt

We See an Innovative Small Business Sector

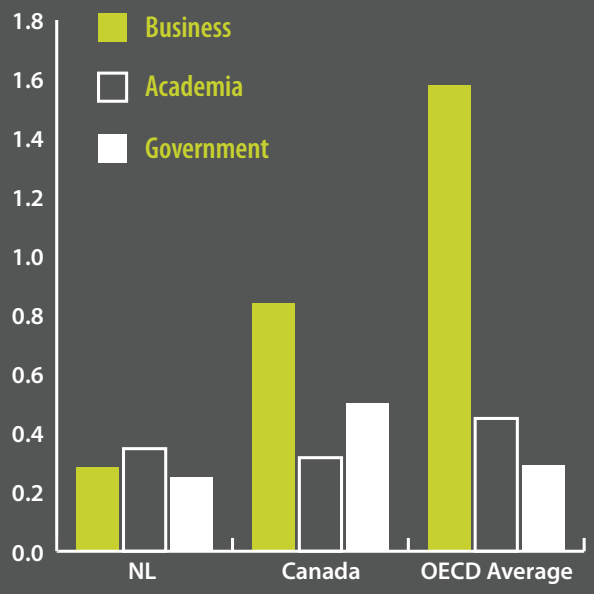
INVESTING IN BUSINESS-LED R&D

In Newfoundland and Labrador, academia performs the most R&D, as opposed to other jurisdictions where the business sector is the top R&D performer (See figure 2).

Business-led R&D is typically driven by market demand. This means that it often sees relatively short timelines between investment and returns. RDC has placed a high priority on working with businesses to increase their R&D capabilities, enhance innovation and competitiveness, and build strong collaborative relationships among R&D performers through business-led programs.

FIGURE 2.

R&D EXPENDITURE AS A % OF GDP NL, CANADA, AND OECD, 2010



Source: Statistics Canada 2013. Cansim Table 358-0001 & 384-0002. OCED 2013. Main Science and Technology Indicators.

PROGRAMS TO SUPPORT BUSINESSES

- R&D Vouchers
- R&D Proof of Concept
- Industrial R&D Fellowships (IRDF)

IN 2012–13, RDC CONTRACTED MORE THAN $2.4 MILLION, SUPPORTING 18 BUSINESS R&D PROJECTS.

St. Anthony's Cold Storage

St. Anthony's Cold Storage wants to make iceberg harvesting more cost-effective and safe. With the support of RDC, and in collaboration with C-CORE, the St. Anthony's Cold Storage team will design and test a new processing technology that can harvest a full iceberg (up to 2,000 tonnes) for a variety of consumer products.

"Traditionally, the biggest challenge for harvesting a natural product like this has always been the size of the iceberg. Working with RDC and C-CORE to develop a new technology that will assist us for each operation, means we tow less and produce more ice products - safely, and at less cost."

– Jim Gibbons, General Manager

Magine Snowboards

By replacing glass-based fibre with environmentally-friendly composite materials, Port au Port-based Magine Snowboards is developing a more durable snowboard product, with the help of RDC. Working in partnership with the College of the North Atlantic's Manufacturing Technology Centre and Civil Engineering Technology Lab in St. John's, Magine Snowboards will test the stability, maneuverability and design of a series of prototypes prior to manufacturing.

"The support from RDC and the College of the North Atlantic will help us diversify our product line, and develop a snowboard that will meet the high expectations of quality and durability that our current customers demand, and our potential customers want."

– Stephen Wheeler, General Manager, Magine Snowboards

Following the Footprints of Dr. Stephen Piercey

Dr. Stephen Piercey follows footprints. Not the footprints created by humans or animals, but those visible marks made by the physical, chemical and mineralogical changes during the formation of ore deposits. The footprint of an ore deposit is what makes finding it a possibility. The Footprints project is a national initiative spearheaded by the Canadian Mining Innovation Council; an initiative for which Dr. Piercey is one of the technical leaders.

"What my colleagues, students and I are trying to do is to create the criteria for making it easier to find difficult-to-detect mineral deposits," he said, explaining what the Footprints project is about. The project is in place so that the next generation of ore deposits, those that are much deeper in the earth's crust and more difficult to extract, can be found and eventually exploited.

"Because of RDC, I'm able to have more people working on more projects in Newfoundland and Labrador than I ever could have done.

Dr. Piercey is working to ensure that professionals exist who have the technical skills to make this happen. "Because of RDC, I'm able to have more people working on more projects in Newfoundland and Labrador than I ever could have done. And without the funding, we wouldn't have the instruments that are critical for our research." He added that he is training people who will have the experience and ability to think critically, who have skills to go out and work in the industry, and who can make decisions about finding ore deposits based on this sound training.

RDC is also supporting the students who work with Dr. Piercey. "When we're developing these models – the footprints – the students are integral parts of that. They're the ones in many cases developing the ideas, the data, and the relationships. I'm doing my own research as well, but I mentor them on their projects. However, when they're employed, they're the ones making the decisions on the ground about where to put the drill hole and how to explore."

The provincial and Canadian economies are heavily dependent on metals including iron ore, nickel, copper, zinc and gold. In order to continue extracting these minerals from the earth, it is necessary to know where and how to find them. The Footprints project is beneficial in that it will support continued mining of the metals that the province and country, rely on.

In the future, Dr. Piercey plans to have a greater presence in Labrador. He said, "it's a hotspot for numerous commodities, including iron ore, uranium, nickel, and rare earth elements." Dr. Piercey sees this as a major opportunity, as Labrador has some of the world's most unexplored mineral rich areas that can only be accessed by helicopter. This will be especially exciting for his students, providing them with the both experience and skills that lead to career opportunities.

From the GeoEXPLORE program, to his IgniteR&D grant, to the NSERC-Altius Industrial Research Chair, RDC has supported Dr. Steve Piercey through a number of programs

We See World-Class Working Environments for Researchers

INVESTING IN INFRASTRUCTURE

World-class R&D infrastructure is essential for creating an environment that is competitive, collaborative, and innovative. R&D projects frequently require specialized equipment and infrastructure that is not available within Newfoundland and Labrador. Without this critical infrastructure, many R&D projects would have to be conducted outside of the province. RDC is building R&D capacity in the province by investing in the tools, equipment, and facilities that R&D performers need. These investments facilitate R&D activities in the province and attract new researchers and funding from outside the province.

In 2010, RDC issued a call for proposals for potential R&D infrastructure projects to foster industrial outreach and collaboration for both research tools and equipment and major R&D platforms. In addition to this specialized call, many of RDC's other programs also support capital expenditures relating to R&D.

PROGRAMS TO SUPPORT INFRASTRUCTURE

- LeverageR&D
- GeoEXPLORE
- IgniteR&D

SINCE 2010, RDC HAS INVESTED $20 MILLION IN THREE MAJOR INFRASTRUCTURE PROJECTS, AND OVER $3 MILLION FOR EQUIPMENT AND RENOVATIONS IN ANOTHER 36 PROJECTS.

Ocean Sciences Centre (OSC)

Building on the existing capacity of the Ocean Sciences Centre (OSC), state-of-the-art facilities are being constructed for the study of cold-water and deep-sea organisms/ecosystems. The facility will provide a deep-seawater source with consistent, high quality, low temperature seawater on a year-round basis, and enhanced water treatment capabilities. There will be associated wet and dry laboratories for cold-water research that will be outfitted with specially designed filtration, ventilation, and water effluent treatment systems. The facility will also house state-of-the-art equipment such as a tabletop scanning electron microscope, a flow cytometer, a confocal microscope and a modern histological suite for research on cold-water (both freshwater and marine) and deep-sea organisms and processes.

RDC invested $10.5 million in the OSC. The project leveraged another $10 million from other funding partners.

Suncor Energy Offshore Research and Development Centre (S. J. Carew Building, Memorial University)

The Suncor Energy Offshore Innovation Centre will provide an additional 1305m^2 vertical expansion to the Memorial University's S.J. Carew Building, which houses the Facility of Engineering and Applied Science. Over the past ten years, the faculty has been experiencing space constraints, making it difficult to accommodate incremental R&D activities. The new expansion will house R&D activities in ocean technology and offshore petroleum and the training of new researchers at Memorial University. The expansion should house seven to ten project groups, with eight to sixteen research personnel each.

RDC invested $4.8 million to expand the S. J. Carew Building and Suncor Energy invested $2 million.

"This research facility provides an essential expansion for us to undertake more collaborative research with industrial and other partners in offshore related projects. The facility will improve our ability to attract and train highly qualified personnel in innovative research that will contribute to economic growth of the province's offshore industry. "
– Greg Naterer, Dean of Enigeering

Centre for Arctic Resource Development (CARD) at C-CORE

C-CORE's Centre for Arctic Resource Development (CARD) is a two-floor vertical expansion on the Dr. Jack Clark Geotechnical Engineering Building that will house a world-class research centre focusing on arctic engineering. The research is guided by a five year R&D plan that will investigate many arctic R&D issues identified and supported financially by Hibernia and Terra Nova. Beyond strengthening C-CORE's current research abilities, the new facility will build capacity in arctic research, house experts, train new researchers and contribute to a strong academic program at Memorial University.

RDC, together with the Hibernia and Terra Nova projects, committed a total of $16.5 million to establish CARD. RDC invested $4 million.

"To execute a game-changing program, and attract the world-class experts and rising research stars that can make it happen, you need game-changing facilities. The Research and Development Corporation provided the anchor funding for our 1250m^2 state-of-the-art research space, augmenting and extending the research capacity available at C-CORE and Memorial." – Dr. David Murrin, CARD Executive Director

We See Enhanced Resource Development

ENHANCED RESOURCE DEVELOPMENT

RDC is building on the province's natural strengths by focusing investments in areas that will support long-term economic sustainability in areas such as oil and gas, mining/minerals, ocean technology. To further focus on these areas, RDC's GeoEXPLORE and ArcticTECH programs were designed to accelerate R&D in the areas of geoscience and harsh environments.

PRIORITY AREA PROGRAMS

ArcticTECH

GeoEXPLORE

IN 2012–13, RDC INVESTED OVER $900,000 IN PRIORITY AREA PROJECTS THROUGH THE ARCTICTECH AND GEOEXPLORE PROGRAMS.

STePS2 - Sustainable Technology for Polar Ships and Structures

Dr. Claude Daley and Bruce Colbourne of Memorial University's Faculty of Engineering and Applied Science are developing the software-based Polar Ships and Structures Design Tool to provide researchers with a greater understanding of the technical challenges large ships and offshore structures face in the presence of ice. Studying how ice affects the hull, speed and maneuverability of vessels will eliminate the need for repeated full simulation and experimental models. Projects such as these further establish Newfoundland and Labrador as a preferred location for naval engineering.

This project is receiving additional funding and support from other sources including, but not limited to, the National Research Council, the American Bureau of Shipping, BMT Fleet Technology, Husky Energy, Rolls Royce Marine and Samsung Heavy Industries.

"RDC has been a significant and important financial contributor to the STePS2 project. As part of the public-sector support, RDC involvement has been a key contribution to an internationally leading ice-structure research project that will reduce risk in future northern developments and contribute to a growing body of expertise in Arctic engineering research at MUN."

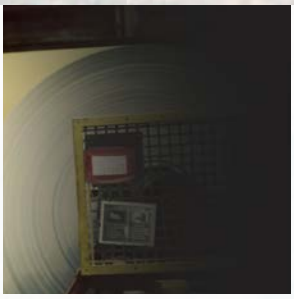
– Dr. Bruce Colbourne

At RDC, We See New Opportunities Through R&D

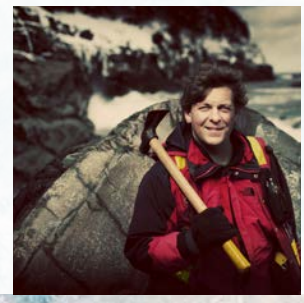
At RDC, we see things differently. Over the past year, we have continued our work, in collaboration with our partners, to improve R&D in Newfoundland and Labrador. We are seeing a positive change. We see more people undertaking industry-relevant research and more companies using R&D to reduce production costs and increase profits.

While there are many challenges facing this small, geographically dispersed province, at RDC we see many more opportunities. We see opportunities to acquire more from our province's existing resources. We see opportunities to develop expertise related to our resources that can increase our competitive advantage worldwide. We see opportunities to make new resource development possible.

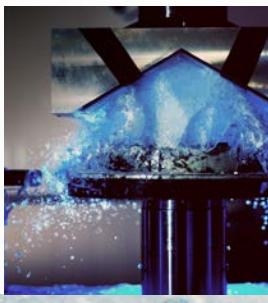
We also see a need to explore new approaches to enhance business R&D. Such approaches need to be tailored to the Newfoundland and Labrador context – building on natural strengths related to harsh environments and exploring new areas that can support long-term economic sustainability for this province. We see a need to add new capacity to complement and grow existing academic and business expertise. Over the next year, RDC will continue its commitment to growing the R&D capacity of this province and create new strategic opportunities that will build on our strong foundation. At RDC, we see possibilities through R&D.









Appendix A - Report on Performance

STRATEGIC ISSUE 1: BUILDING A STRONG FOUNDATION FOR R&D

Goal By March 31, 2014, RDC will have enhanced academia, business, and government capacity for R&D excellence

2013 Objective By March 31, 2013, RDC will have identified and assessed opportunities to invest in quality R&D infrastructure

Measure Identified and assessed investment opportunities

Indicators
- Assessment of R&D infrastructure investment opportunities
- Action plan for investing in R&D infrastructure opportunities
- Number and value of infrastructure investments through existing RDC programs
- Number and value of infrastructure investments through existing RDC programs in priority areas
- Number and value of leveraged funding for infrastructure

Overview

Investments in research infrastructure strengthen R&D capacity, build world-class work environments for researchers, and foster industrial outreach and collaboration. To increase the quantity of R&D being performed in Newfoundland and Labrador and achieve the province's R&D goals, investments in supporting R&D infrastructure is required. In 2012–13, RDC placed a priority on identifying and assessing opportunities for investment in high quality R&D infrastructure.

"As with other investments in infrastructure, investments in research infrastructure contribute both in stimulating demand in the short term and supply in the longer term." [1]

2013 Actual Results

Indicator 1.1: Assessment of R&D infrastructure investment opportunities

RDC's Strategy and Program Development Division continually works to identify investment opportunities to enhance R&D capacity in Newfoundland and Labrador. With respect to investments in R&D infrastructure, RDC works with industry collaborators and federal government sources such as the Canada Foundation for Innovation to co-fund new R&D infrastructure at Memorial University.

Indicator 1.2: Action plan for investing in R&D infrastructure opportunities

RDC's business plan focuses on investments in people, research and infrastructure as the building blocks of R&D capacity. RDC is pursuing specific opportunities to establish R&D test sites, laboratories and large-scale facilities that align with industry needs and development opportunities. RDC is involved in a number of feasibility studies with industry relating to these opportunities.

Indicator 1.3: Number and value of infrastructure investments through existing RDC programs

Program	# Projects (2012/13)	$ Invested (2012/13)
LeverageR&D	7	$694,588
CollaborativeR&D	1	$1,635,367
IgniteR&D	12	$387,694
GeoEXPLORE	2	$350,000
ArcticTECH	1	$111,882
R&D Proof of Concept	7	$183,375
R&D Vouchers	6	$68,025
Totals	36	$3.4 million

To date, RDC has invested in 174 projects with infrastructure components. The total infrastructure cost for all projects was $73 million, with RDC contributing a total of $29.6 million.

Indicator 1.4: Number and value of infrastructure investments through existing RDC programs in priority areas

Sector	# Projects	$ Invested
Oil and Gas	8	$2,402,124
Ocean Technology	4	$140,632
Mining/Minerals	3	$126,125
Totals	13	$2.5 million

[1] *Policy Responses to the Economic Crisis : Investing in Innovation for Long-term Growth, OECD, June 2009, pp. 11-12: http://www.oecd.org/dataoecd/50/45/42983414.pdf*

Of the $29.6 million invested in infrastructure to date, $24.2 million was invested in priority sector projects.

Indicator 1.5: Number and value of leveraged funding for infrastructure

For the projects with infrastructure investments in 2012–13, all 36 projects leveraged funding from other sources for a total of $11.8 million. This means that for every dollar invested by RDC, almost $4 was invested by other funding sources.

Of the projects that invested in infrastructure to date, all 174 leveraged $43.4 million in funding from other sources.

Discussion of Results

RDC invests in R&D infrastructure to build capacity and foster collaboration. In 2010, RDC issued a call for proposals for potential R&D infrastructure projects, providing funding through two program elements: Research tools and equipment, and R&D platforms. As a result, $19 million has been invested in three major infrastructure projects, including the Ocean Sciences Centre (OSC), Centre for Arctic Resource Development (CARD) at C-CORE, and Suncor Energy Offshore Research and Development Centre (S. J. Carew Building, Memorial University). These projects are expected to be completed in late 2013. These results have helped meet government's strategic direction of building a strong foundation for R&D by providing infrastructure that will house researchers performing relevant R&D and by enhancing R&D capacity in priority areas. Additionally, the organization continues to be successful in leveraging funding from other sources, further contributing to an increase in R&D capacity for the province.

LOOKING AHEAD TO 2014: BUILDING A STRONG FOUNDATION FOR R&D

Objective:

By March 31, 2014, RDC will have enhanced R&D infrastructure

Measure:

Enhanced R&D infrastructure

Indicators:

Number and value of contracted projects that support R&D infrastructure

Value of investment by RDC in new R&D infrastructure

RDC expenditures on completed projects that have supported R&D infrastructure

STRATEGIC ISSUE 2: GROWING BUSINESS INVESTMENT IN R&D

Goal	By March 31, 2014, RDC will have encouraged increased business investment in R&D in Newfoundland and Labrador
Objective	By March 31, 2013, RDC will have further developed programs to encourage business investment in R&D
Measure	Further developed programs
Indicators	Modifications to existing programs New programs that target business investment in R&D Number and value of RDC-business co-funded projects Number and value of non-commercial R&D projects with demonstrated business-relevance (solved technical need, cost/productivity improved, new product/revenue)

Overview

Business sector R&D is the distinguishing factor of R&D in high performing economies. Business investment in R&D is important both for business performance of R&D (R&D carried out directly by business and/or their partners) and business utilization of R&D (R&D that is relevant to business and meets technical or other identified needs).

RDC fosters R&D capacity in the business sector by encouraging business R&D; providing incentives for industry-relevant R&D projects; and encouraging collaboration between business, academia, and government.

2012–13 Actual Results

Indicator 2.1: Modifications to existing programs

In 2012–13, RDC modified the Ocean Industries Student Research Awards to encourage business investment in R&D. RDC introduced mandatory industry collaboration as a requirement for recipients of the Ocean Industries Student Research Awards at the Master's and Doctoral level. This requirement will strengthen relationships between business and academia, initiate potential career opportunities for award recipients, and improve business access to highly qualified personnel.

Indicator 2.2: New programs that target business investment in R&D

In 2012–13, RDC launched a new program that specifically targets business R&D and launched a new partnership with Statoil Canada to support private sector R&D.

ArcticTECH, a $5 million, three-year program, focuses on strengthening Arctic-related R&D capacity in the province. ArcticTECH invests in business-led R&D that supports technology development for the Arctic and other harsh environments. In addition, academic awards under ArcticTECH must clearly demonstrate business relevance.

RDC collaborated with Statoil Canada to invest in business-led R&D in Newfoundland and Labrador. The Statoil Arctic R&D Step Up initiative addresses key technological gaps in Arctic oil and gas development. Successful applications will be considered for funds under RDC's ArcticTECH or Petroleum R&D Accelerator programs.

Indicator 2.3: Number and value of RDC-business co-funded projects

2012–13 RDC-Business Co-funded Projects		
# Projects	$ Invested by RDC	$ Invested by co-funder
28	$5.6 million	$19.9 million

This compares to 43 projects and an RDC investment of $5.3 million in 2011-12. The value and relevance of these projects has improved over time due to a more robust internal focus on growing business investment in R&D.

Indicator 2.4: Number and value of non-commercial R&D projects with demonstrated business-relevance (solved technical need, cost/productivity improved, new product/ revenue)

2012–13 Non-Commercial Projects with Business Co-funding		
# Projects	$ Invested by RDC	$ Invested by co-funder
7	$2.4 million	$14.2 million

This compares to 23 projects and $3.1 million contracted in 2011-12. This number is lower due to the decline in the number of CollaborativeR&D and GeoEXPLORE applications in 2012–13.

Discussion of Results

In 2012–13 RDC further developed programs to encourage business investment in R&D. To date, RDC has leveraged $62 million from businesses. The modification to existing programs and launch of ArcticTECH and the Statoil Canada partnership will only further contribute to business R&D investments in Newfoundland and Labrador. These results will help meet government's strategic direction of growing business investment in R&D by ensuring that RDC programs and R&D projects are relevant to businesses and foster collaboration.

STRATEGIC ISSUE 3: FOCUSING R&D IN PRIORITY AREAS

Goal — By March 31, 2014, RDC will have realized development opportunities and supported areas of competitive advantage.

Objective — By March 31, 2013, RDC will have developed one or more directed research programs targeting RDC priority areas.

Measure — Developed directed research program targeting priority area

Indicator
- Number of directed research programs developed targeting priority areas
- Number of projects funded under directed research programs
- Value of projects funded under directed research programs
- Number of students trained through directed research programs
- Number of researchers employed through directed research programs

LOOKING AHEAD TO 2014: GROWING BUSINESS INVESTMENT IN R&D

Objective:

By March 31, 2014, RDC will have encouraged business investment in R&D

Measure:

Increased business investment in R&D

Indicators:

- Number and value of total business investment in RDC-funded projects
- Number of collaborations between academic or government R&D performers and businesses through RDC-funded projects
- Number of applications to business-led programs
- Business intentions to continue investment in R&D

Overview

Priority areas present a development opportunity or potential strategic competitive advantage for R&D in Newfoundland and Labrador. To realize development opportunities and support areas of competitive advantage, RDC focuses programs and initiatives on priority areas. RDC's priority areas are ocean technology and natural resource industries, including petroleum, mining, fisheries and forest products.

2012–13 Actual Results

Indicator 3.1: Number of directed research programs developed targeting priority areas

In 2012–13 RDC launched ArcticTECH, a new RDC-directed research program targeting a priority area and issued a third call under the Ocean Industries Student Research Awards directed program.

ArcticTECH is a new directed research program designed to draw upon Newfoundland and Labrador's competitive advantages: unique geographic position, existing R&D expertise and support infrastructure, development and operations in harsh environments.

Indicator 3.2: Number of projects funded under directed research programs

RDC-Directed Program	# Projects Funded (2012–13)	# Projects Funded (To Date)
ArcticTECH	3	3
GeoEXPLORE	3	18
OISRA	21	63

Indicator 3.3: Value of projects funded under directed research programs

RDC-Directed Program (2012–13)	$ Invested (2012–13)	$ Invested (To Date)
ArcticTECH	$402,000	$0.4 million
GeoEXPLORE	$504,000	$1.8 million
OISRA	$866,000	$2.7 million
Total	$1.8 million	$4.9 million

Indicator 3.4: Number of students trained through directed research programs

RDC-Directed Program	# of Students Supported (2012–13)	# of Students Supported (To Date)
ArcticTECH	1	1
GeoEXPLORE	2	11
OISRA	21	63

Indicator 3.5: Number of researchers employed through directed research programs

RDC-Directed Program	# of Researchers Employed (2012–13)	# of Researchers Employed (To Date)
ArcticTECH	15	15
GeoEXPLORE	15	37
OISRA	21	63

Discussion of Results

RDC's suite of directed research programs (i.e., ArcticTECH, GeoEXPLORE and OISRA) targets specific areas of research to further encourage focus in priority areas. The directed programs support the development of both students and researchers in areas of competitive advantage, contributing to an increase in highly qualified people and R&D capacity. Government's strategic direction of focusing R&D in priority areas is supported by RDC's identification of development opportunities in areas of strategic focus for the province that build on our natural geographic strengths.

LOOKING AHEAD TO 2014: FOCUSING R&D IN PRIORITY AREAS

Objective:

By March 31, 2014, RDC will have delivered targeted programs to support the performance of R&D in priority areas

Measure:

Increased performance of R&D in priority areas

Indicators:

Number of directed research programs targeting priority areas

Number and value of RDC-funded projects in priority areas

Management Certification

The accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador have been prepared by the Corporation's management in accordance with Canadian Public Sector Accounting Standards.

Management is responsible for the integrity and objectivity of the information contained in these financial statements, including the note disclosures. Some of the information in the financial statements is based on management's best estimate and judgment, and gives due consideration to materiality.

Management has developed and maintains a financial and management control system and practices designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information to maintain accountability of Research & Development Corporation of Newfoundland and Labrador funds.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and meets periodically with management to review and discuss the financial information. The Auditor General of Newfoundland and Labrador conducts an independent audit of the annual financial statements of the Research & Development Corporation of Newfoundland and Labrador in accordance with Canadian auditing standards in order to express an opinion thereon. The Auditor General has full and free access to the financial management of the Research & Development Corporation of Newfoundland and Labrador and meet when required.

Glenn Janes
Chief Executive Officer

Gerald Rockwood, CA
Chief Financial Officer

St. John's, Newfoundland and Labrador
June 10, 2013

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador which comprise the statement of financial position as at March 31, 2013, the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Research & Development Corporation of Newfoundland and Labrador as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

TERRY PADDON, CA
Auditor General

St. John's, Newfoundland and Labrador
June 10, 2013

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION
As at

	March 31, 2013 $	March 31, 2012 $
FINANCIAL ASSETS		
Cash and cash equivalents (Note 6)	**27,949,929**	30,873,318
Receivables	**210,142**	132,443
	28,160,071	31,005,761
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**1,415,277**	3,378,223
	1,415,277	3,378,223
Net Financial Assets	**26,744,794**	27,627,538
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 8)	**1,154,551**	718,764
Prepaid expenses	**40,411**	15,110
	1,194,962	733,874
Accumulated surplus	**27,939,756**	28,361,412

Contractual obligations (Note 9)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board:

Director

Director

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31

	2013 $ Budget (Note 14)	2013 $ Actual	2012 $ Actual
REVENUE			
Government grants	**25,286,700**	**23,829,533**	25,226,262
Investment income	**483,893**	**504,071**	449,232
	25,770,593	**24,333,604**	25,675,494
EXPENSES (Note 10)			
Program expenses - Academic	**20,341,063**	**17,638,919**	12,702,135
Program expenses - Business	**5,773,888**	**3,288,358**	2,643,886
Operating expenses	**5,498,109**	**3,827,983**	3,601,250
	31,613,060	**24,755,260**	18,947,271
Annual (deficit) surplus	**(5,842,467)**	**(421,656)**	6,728,223
Accumulated surplus, beginning of year	**28,361,412**	**28,361,412**	21,633,189
Accumulated surplus, end of year	**22,518,945**	**27,939,756**	28,361,412

The accompanying notes are an integral part of these financial statements.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31

	2013 $ Budget (Note 14)	2013 $ Actual	2012 $ Actual
Annual (deficit) surplus	**(5,842,467)**	**(421,656)**	6,728,223
Acquisition of tangible capital assets	**(348,500)**	**(685,992)**	(532,574)
Amortization of tangible capital assets	**430,096**	**250,205**	169,110
	81,596	**(435,787)**	(363,464)
Acquisition of prepaid expenses	**-**	**(69,494)**	(224,296)
Use of prepaid expenses	**-**	**44,193**	209,186
	-	**(25,301)**	(15,110)
(Decrease) increase in net financial assets	**(5,760,871)**	**(882,744)**	6,349,649
Net financial assets, beginning of year	**27,627,538**	**27,627,538**	21,277,889
Net financial assets, end of year	**21,866,667**	**26,744,794**	27,627,538

The accompanying notes are an integral part of these financial statements.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the year ended March 31

	2013 $	2012 $
OPERATING TRANSACTIONS		
Annual (deficit) surplus	**(421,656)**	6,728,223
Non-cash item		
Amortization of tangible capital assets	**250,205**	169,110
Increase in receivables	**(77,699)**	(101,404)
Increase in prepaid expenses	**(25,301)**	(15,110)
Decrease in accounts payable and accrued liabilities	**(1,962,946)**	(115,910)
Cash (applied to) provided by operating transactions	**(2,237,397)**	6,664,909
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	**(685,992)**	(532,574)
Cash applied to capital transactions	**(685,992)**	(532,574)
Net (decrease) increase in cash and cash equivalents	**(2,923,389)**	6,132,335
Cash and cash equivalents, beginning of year	**30,873,318**	24,740,983
Cash and cash equivalents, end of year (Note 6)	**27,949,929**	30,873,318

The accompanying notes are an integral part of these financial statements.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) is incorporated under the authority of the *Research and Development Council Act (*the *Act)* and is funded by the Province of Newfoundland and Labrador (the Province). The *Act* came into effect December 18, 2009. The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Corporation is a Crown entity of the Province and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (CPSA Standards) which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature these estimates are subject to measurement uncertainty. The most significant item for which estimates are used is the useful life of tangible capital assets. The effect on the financial statements of a change in this estimate in future periods could be material and would be accounted for in the period the change occurs.

Basis of presentation

These financial statements include the accounts relating to the operations carried on under the name of the Corporation, and have been prepared by the Corporation's management in accordance with CPSA Standards.

Cash and cash equivalents

Cash and cash equivalents Include cash in bank and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. These short term investments generally have a maturity of three months or less at acquisition.

Revenue recognition

The Corporation recognizes the receipt of government transfers as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the Corporation. Investment income is recognized as earned.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

2. Summary of significant accounting policies (cont.)

Expenses

The Corporation recognizes expenses on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Program grants are recorded as expenses when they are authorized, when eligibility criteria have been met by the recipient, and when a reasonable estimate of the amount can be made.

Tangible capital assets

Tangible capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following terms:

	Term
Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years
Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write downs are accounted for as expenses in the statement of operations.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan administered by the Government of Newfoundland and Labrador or a self-directed RRSP. Contributions to each plan are required from the employees and are matched by the Corporation. The annual contributions for pensions are recognized during the year in which the services are rendered and represent the Corporation's total pension benefit obligation. The Public Service Pension Plan provides defined pension benefits to employees based on their length of service and rates of pay. The maximum contribution rate for eligible employees is 8.6% (2012 – 8.6%). The Corporation is not required to make contributions in respect of any actuarial deficiencies of the plan. Total pension expense for the Corporation at March 31, 2013 was $222,084 (2012 - $203,088).

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

3. Accounting pronouncements

In March 2011, the Public Sector Accounting Board approved new Section PS 3450, *Financial Instruments*, Section PS 2601 to replace current Section PS 2600, *Foreign Currency Translation* and Section PS 1201 to replace current Section PS 1200, *Financial Statement Presentation*. In addition, in March 2012, the Public Sector Accounting Board approved Section PS 3041 to replace current Section PS 3040, *Portfolio Investments*. The four sections are effective for the Corporation's year ending March 31, 2013. Government organizations are required to adopt the four sections in the same year. The impact on the Corporation of adopting these new sections in the current year is minimal and has been reflected in these financial statements.

4. Risk management

The Corporation's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Corporation include liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

5. Financial instruments

The Corporation's financial instruments recognized on the Statement of Financial Position consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying value of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

6. Cash and cash equivalents

	2013 $	2012 $
Cash in bank	**2,949,929**	30,873,318
Cash equivalent investments	**25,000,000**	-
	27,949,929	30,873,318

7. Accounts payable and accrued liabilities

	2013 $	2012 $
Programs grants payable	**685,954**	2,423,434
Trade accounts payable & accruals	**243,232**	522,191
Payroll related accruals	**486,091**	432,598
	1,415,277	3,378,223

8. Tangible capital assets

	Leasehold Improve-ments $	Furniture & Equipment $	Computer Hardware & Software $	Network Infrastructure $	Enterprise Resource Package Software $	Total $
COST						
Balance, March 31, 2012	433,155	269,417	103,362	47,077	259,085	1,112,096
Additions	402,258	262,715	21,019	-	-	685,992
Balance, March 31, 2013	835,413	532,132	124,381	47,077	259,085	1,798,088
ACCUMULATED AMORTIZATION						
Balance, March 31, 2012	-	115,523	58,445	35,307	184,057	393,332
Amortization expense	62,656	80,155	36,520	11,770	59,104	250,205
Balance, March 31, 2013	62,656	195,678	94,965	47,077	243,161	643,537
Net book value, March 31, 2013	**772,757**	**336,454**	**29,416**	**-**	**15,924**	**1,154,551**
Net book value, March 31, 2012	433,155	153,894	44,917	11,770	75,028	718,764

9. Contractual obligations

The Corporation has outstanding contractual obligations under its various programs in respect of approved but not yet disbursed funds in the amount of $27,381,124. The Corporation has also entered into a lease agreement for the rental of office space and joint cost shared agreements totaling $4,415,881. Approximate payment of these obligations in future years is as follows:

	Programs $	Other $
2014	14,159,785	763,771
2015	6,634,519	442,680
2016	3,244,747	442,680
2017	1,933,426	442,680
2018	1,197,397	442,680
Thereafter	211,250	1,881,390
	27,381,124	4,415,881

10. Expenses

	2013 $ Budget (Note 14)	2013 $ Actual	2012 $ Actual
Program grants	**23,106,770**	**18,919,235**	13,350,755
Salaries and benefits	**5,190,193**	**3,939,400**	3,349,080
Purchased services	**1,671,613**	**1,336,836**	1,049,744
Professional services	**1,214,388**	**309,584**	1,028,582
Amortization of tangible capital assets	**430,096**	**250,205**	169,110
Total expenses	**31,613,060**	**24,755,260**	18,947,271

11. Related party transactions

These financial statements include transactions with related parties. The Corporation is related, as a result of common ownership, to all Crown corporations and agencies of the Province.

During the year, the Corporation had the following related party transactions:

- Program grants expense to related parties of $16,736,910 (2012 - $11,654,188).
- Purchased supplies and services from related parties for $491,972 (2012 - $138,720).

12. Economic dependence

As a result of the Corporation's reliance on funding from the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

13. Credit facilities

Subject to the prior approval of the Lieutenant-Governor in Council and the Board, the Corporation may borrow money for purposes related to the attainment of its objectives as set out in the *Act*. At March 31, 2013, the Corporation had available a revolving credit facility of up to $1,000,000 bearing interest at prime, a letter of credit of up to $50,000 bearing interest at 1%, and VISA business card(s) with an aggregate limit of $50,000. At March 31, 2013, the credit facility, letter of credit, and the VISA business card(s) are inactive.

14. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Province.

15. Comparative figures

Certain of the 2012 comparative figures have been reclassified to conform to the financial presentation adopted in 2013.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