

*Tabled by Ministry of Finance
2008. 03. 06.
W.M.K.*



Newfoundland and Labrador Industrial Development Corporation

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

Annual Report

31 March, 2007

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL
DEVELOPMENT CORPORATION**

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

February 25, 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:

It is my pleasure to submit the annual activity report for the Newfoundland Industrial Development Corporation. This report summarizes activities for the fiscal year ended March 31, 2007.

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,



Terry Paddon
Chairman of the Board

Newfoundland and Labrador Industrial Development Corporation

Activity Report
March 31, 2007

Overview

The Newfoundland and Labrador Industrial Development Corporation ("NIDC"), established in 1967, has a broad mandate with respect to economic development in the province pursuant to the *Industrial Development Corporation Act*. While NIDC's primary purpose is to provide long-term financing to industrial and resource based projects, it can participate in a wide array of development projects for purposes as may be approved by the Lieutenant Governor in Council.

The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province.

Board of Directors

The incumbents in certain senior Government public service positions, designated by the Lieutenant Governor in Council, are automatically members of the Board. At 31 March, 2007 the Board of Directors included:

Mr. Terry Paddon (Chair)
Deputy Minister of Finance

Mr. Alastair O'Rielly
Deputy Minister of Fisheries & Aquaculture.

Ms. Cathy Duke
Deputy Minister of Innovation,
Trade and Rural Development

Ms. Donna Brewer
Assistant Deputy Minister
Financial Planning and Benefits Administration

Mr. Earl Saunders
Director of Debt Management

Mr. Paul Myrden
Manager of Capital Markets and
Financial Assistance Programs

Highlights/Accomplishments

During fiscal year 2006/07, there were no new investments made or assistance provided by NIDC.

Opportunities Ahead

While NIDC has met its mandate pursuant to its enabling legislation, it remains available to be used from time to time to facilitate projects.

Financial Statements

NIDC's audited financial statements for the year ended March 31, 2007 are attached.

**NEWFOUNDLAND AND LABRADOR
INDUSTRIAL DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

31 MARCH 2007



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

AUDITOR'S REPORT

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 2007 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 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'John L. Noseworthy', written over a faint, larger version of the same signature.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
31 May 2007

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

BALANCE SHEET

31 March

2007

2006

(000's)

(000's)

ASSETS

Current

Cash	\$	223	\$	166
Accounts receivable		50		50

273

216

Investments, at cost (Note 2)		33,950		33,950
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Loans receivable (Note 3)		-		-
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\$ 34,223

\$ 34,166

LIABILITIES AND SURPLUS

Current

Accounts payable and accrued liabilities	\$	1	\$	1
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Long-term debt (Note 4)		29,411		29,411
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29,412

29,412


Surplus		4,811		4,754
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\$ 34,223

\$ 34,166

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

2007

2006

(000's)

(000's)

REVENUES

Lease income (Note 2(d))	\$ 50	\$ 50
Interest and investment income	8	4
Gain on sale of shares (Note 2(b))	-	-
	<u>58</u>	<u>54</u>

EXPENSES

Professional services	<u>1</u>	<u>1</u>
Excess of revenues over expenses	57	53
Surplus, beginning of year	<u>4,754</u>	<u>4,701</u>
Surplus, end of year	<u>\$ 4,811</u>	<u>\$ 4,754</u>

See accompanying notes

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	2007	2006
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	\$ 57	\$ 53
Changes in non-cash working capital	-	(50)
	<u>57</u>	<u>3</u>
Cash flows from investing activities		
Proceeds from sale of shares (Note 2(b))	-	-
Net increase in cash	57	3
Cash, beginning of year	166	163
Cash, end of year	\$ 223	\$ 166

See accompanying notes

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 March 2007

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

	2007 (000's)	2006 (000's)
Water rights held in Labrador	\$ 30,000	\$ 30,000
INCO Limited	-	-
Griffiths Guitars International Limited, 43,269 Preference Shares	450	450
<u>Icewater Seafoods Inc., 35,000 Preference Shares</u>	<u>3,500</u>	<u>3,500</u>
	<u>\$ 33,950</u>	<u>\$ 33,950</u>

(a) Water rights held in Labrador

Pursuant to an agreement dated 24 November 1978, the Lower Churchill Development Corporation Limited (LCDC) has 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 will then be transferred to Newfoundland and Labrador Hydro. This option was to expire 24 November 2006 but has been extended to 24 November 2007. LCDC was incorporated under the *Corporations Act* and is owned 51% by Newfoundland and Labrador Hydro and 49% by the Government of Canada. LCDC was established with the objective of developing all or part of the hydro-electric potential of the Lower Churchill Basin.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**
NOTES TO FINANCIAL STATEMENTS
31 March 2007

2. Investments (cont.)

(b) INCO Limited

During 1997-98, NIDC purchased five shares of INCO Limited at a cost of \$138.00 (\$27.60 per share). During 2006-07, NIDC sold the five shares at a price of \$430.00 (\$86.00 per share), resulting in a gain of \$292.00.

(c) Griffiths Guitars International Limited

During 2003-04, NIDC converted a loan receivable from Griffiths Guitars International Limited to 43,269 preference shares. This was completed at the request of the Company as part of a refinancing package. (Note 9)

(d) 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 advances were made in October 2004 and April 2005, with 17,500 preference shares purchased from each advance.

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 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 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. Loans receivable

	2007	2006
	(000's)	(000's)
Loans receivable	\$ -	\$ 250
<u>Allowance for doubtful accounts</u>	<u>-</u>	<u>(250)</u>
	<u>\$ -</u>	<u>\$ -</u>

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 March 2007

4. Long-term debt

	<u>2007</u>	<u>2006</u>
	(000's)	(000's)
Non-interest bearing notes payable to the Province, no fixed terms of repayment or maturity dates	\$ 29,411	\$ 29,411

5. 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.

6. Related party transactions

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

7. 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 non-interest bearing long-term debt. The carrying value of the long-term debt approximates fair value to NIDC and is not subject to any material interest rate risk.

8. 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.

9. Subsequent event

Subsequent to the year end, management was advised that Griffiths Guitars International Limited had signed a letter of intent for the sale of all the company's assets to a third party. Should this sale proceed substantially on the terms as agreed in this letter of intent, the expected proceeds of sale will be insufficient to provide any return on the Corporation's Preference Shares. However, as it is uncertain whether this transaction will proceed as contemplated, no adjustment has been made to the carrying value of the Corporation's investment.

10. 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.