

**NEWFOUNDLAND AND LABRADOR
INDUSTRIAL DEVELOPMENT
CORPORATION**

FINANCIAL STATEMENTS

MARCH 31, 2016

Management's Report

Management's Responsibility for the Newfoundland and Labrador Industrial Development Corporation Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls 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.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Corporation, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Industrial Development Corporation.

On behalf of the Newfoundland and Labrador Industrial Development Corporation.



Donna Brewer, CPA, CA
Deputy Minister of Finance



Paul Myrden, CPA, CA
Director, Debt Management



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Industrial Development Corporation which comprise the statement of financial position as at March 31, 2016, the statements of operations, 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 qualified audit opinion.

Basis for Qualified Opinion

The Newfoundland and Labrador Industrial Development Corporation was unable to assess a portfolio investment in an equity instrument for any objective evidence of impairment as recommended by Section PS 3450, *Financial instruments*, of the Canadian public sector accounting standards. As a result, I was unable to obtain sufficient appropriate audit evidence as to the value of Newfoundland and Labrador Industrial Development Corporation's equity investment as at March 31, 2016. Consequently, I was unable to determine whether an adjustment to this amount was necessary.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Industrial Development Corporation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



TERRY PADDON, CPA, CA
Auditor General

August 26, 2016
St. John's, Newfoundland and Labrador

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF FINANCIAL POSITION

As at March 31

| | 2016 | 2015 |
|---------------------------------------|-----------------|-----------------|
| | (000's) | (000's) |
| FINANCIAL ASSETS | | |
| Cash | \$ 8 | \$ 60 |
| Interest receivable | 2 | 2 |
| Accounts receivable | 50 | - |
| <u>Portfolio investments (Note 3)</u> | <u>2,366</u> | <u>2,481</u> |
| | <u>2,426</u> | <u>2,543</u> |
| LIABILITIES | | |
| | - | - |
| Net financial assets | 2,426 | 2,543 |
| NON-FINANCIAL ASSETS | | |
| | - | - |
| Accumulated surplus | \$ 2,426 | \$ 2,543 |

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

Signed on behalf of the Board:



Chairperson



Director

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF OPERATIONS

For the Year Ended March 31

| | 2016 Budget | 2016 Actual | 2015 Actual |
|---|-----------------------------|------------------------|------------------------|
| | (000's) (Note 5) | (000's) | (000's) |
| REVENUES | | | |
| Lease income (Note 3) | \$ 50 | \$ 50 | \$ 50 |
| Interest income on portfolio investment | 8 | 8 | 9 |
| | 58 | 58 | 59 |
| EXPENSES | | | |
| Write down of portfolio investment (Note 3) | 175 | 175 | 175 |
| | 175 | 175 | 175 |
| Annual deficit | (117) | (117) | (116) |
| Accumulated surplus, beginning of year | 2,543 | 2,543 | 2,659 |
| Accumulated surplus, end of year | \$ 2,426 | \$ 2,426 | \$ 2,543 |

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

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF CASH FLOWS

For the Year Ended March 31

| | 2016 | 2015 |
|--|-------------|--------------|
| | (000's) | (000's) |
| Operating transactions | | |
| Annual deficit | \$ (117) | \$ (116) |
| Adjustment for non-cash items | | |
| Write-down of portfolio investment | 175 | 175 |
| | 58 | 59 |
| Change in non-cash working capital | | |
| Accounts receivable | (50) | - |
| Accounts payable and accrued liabilities | - | (6) |
| Cash provided from operating transactions | 8 | 53 |
| Investing transactions | | |
| Purchase of Guaranteed Investment Certificate | (700) | (640) |
| Redemption of Guaranteed Investment Certificate | 640 | 590 |
| Cash applied to investing transactions | (60) | (50) |
| (Decrease) increase in cash | (52) | 3 |
| Cash, beginning of year | 60 | 57 |
| Cash, end of year | \$ 8 | \$ 60 |

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

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

1. Nature of operations

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 (the Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

NIDC 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

(a) Basis of accounting

NIDC is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. NIDC does not prepare a statement of change in net financial assets as this information is readily apparent from the other statements. In addition, NIDC does not prepare a statement of remeasurement gains and losses as NIDC does not enter into relevant transactions or circumstances that are being addressed by the statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

NIDC's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, interest receivable and portfolio investments. The Corporation generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

NIDC subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash, accounts receivable, and interest receivable. Portfolio investments are measured at cost or amortized cost as disclosed in note 3.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

2. Summary of significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying values of cash, accounts receivable, interest receivable and portfolio investments (Guaranteed Investment Certificate) approximate current fair value due to their nature and/or the short-term maturity associated with these instruments. The carrying value of portfolio investments (equity investment) is intended to approximate market value. Any decline in the value of portfolio investments (equity investment) that is considered to be other than temporary is recorded in the statement of operations. Any write-down of this equity investment to reflect a loss in value would not be reversed for a subsequent increase in value.

Interest attributable to financial instruments is reported in the statement of operations.

(c) Cash

Cash includes cash in bank.

(d) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Interest income earned on portfolio investments is accounted for using the effective interest method.

(e) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is recorded as an expense.

(f) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the valuation of portfolio investments in equity instruments.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. Portfolio investments

| | <u>2016</u> (000's) | <u>2015</u> (000's) |
|---|------------------------|------------------------|
| Icewater Seafoods Inc., 35,000 Preference II Shares, at amortized cost | \$ 1,666 | \$ 1,841 |
| Guaranteed Investment Certificate, at cost | 700 | 640 |
| | <u>\$ 2,366</u> | <u>\$ 2,481</u> |

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 II 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.

Pursuant to Section 7 of Schedule "A" to the Subscription Agreement, the par value of each Preference II share should be reduced by \$5.00 per share for every year in which a dividend is not payable. To date, no dividend has been payable pursuant to the terms and conditions of the Subscription Agreement. As a result, NIDC's investment in Icewater Seafoods Inc. has been written down in accordance with the Subscription Agreement by \$175,000 for the year ended March 31, 2016 (2015 - \$175,000).

By Agreement dated October 8, 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. These are intangible assets, and in accordance with current CPSAS, are not valued on these financial statements.

By separate lease Agreement, also dated October 8, 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and a related company, Icewater Harvesting Inc. This lease is for a period of 20 years with an annual base lease fee of \$50,000 along with a contingent variable surcharge amount that is triggered when the annual aggregate cash flow of Icewater Seafoods Inc. and Icewater Harvesting Inc. exceeds a defined minimum threshold. The minimum threshold has never been reached.

Guaranteed Investment Certificate

This investment consists of a Guaranteed Investment Certificate, with a maturity date of December 12, 2016 at an interest rate of 0.95%. The maturity value of the Guaranteed Investment Certificate is \$706,668.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS
March 31, 2016

4. Financial risk management

NIDC recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. NIDC is exposed to credit risk through its financial instruments. There was no significant change in NIDC's exposure to this risk or its processes for managing this risk from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. NIDC's main credit risk relates to cash, accounts receivable, interest receivable, and portfolio investments. NIDC's maximum exposure to credit risk is the carrying amounts of these financial instruments. NIDC is not exposed to significant credit risk with its cash, interest receivable and portfolio investments (Guaranteed Investment Certificate) because these financial instruments are held with a Chartered Bank.

NIDC is exposed to significant credit risk related to its accounts receivable and portfolio investments (equity investment). NIDC management actively monitor the company in which the equity investment has been made in an effort to mitigate this risk.

5. Budgeted figures

Budgeted figures have been prepared by NIDC management and are provided for comparison purposes.

6. 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 are not reflected in these financial statements.

7. 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.