

Business Investment Corporation
Annual Report for the Fiscal Year 2002-03

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Paper

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1. **Message from the Chairperson**



Douglas Sheppard

I am pleased, on behalf of the Board of Directors, to present the first Annual Report of the Business Investment Corporation to the Minister of Industry, Trade and Rural Development.

The Business Investment Corporation was established on April 1, 2002. It consolidated the investment activities of three former Crown corporations: the Enterprise Newfoundland and Labrador Corporation; the Farm Development Loan Board; and the Fisheries Loan Board. The Corporation's mandate is to direct the management of the investment portfolio of these former organizations and to administer new investments made through the Small Business Seed Capital Equity Program, the Small Business and Market Development Program, the Fisheries Loan Guarantee Program and the Aquaculture Working Capital Fund.

In 2002-03, the Corporation, through the Small Business Seed Capital Equity Program and the Small Business and Market Development Program, invested approximately \$2.6 million in more than 100 small businesses, leveraging an additional \$14.2 million in private and public business financing to help stimulate the growth of small businesses throughout Newfoundland and Labrador. In addition, the Corporation approved approximately \$9 million in new fisheries loan guarantees in more than 20 fish harvesting enterprises to help them take advantage of ongoing and emerging new business opportunities in the fishery. The overall investment portfolio managed by the Business Investment Corporation in 2002-03 had an outstanding value of more than \$144 million.

I thank my fellow members of the Board of Directors for their support and commitment in 2002-03. I also thank the dedicated officials in the Department of Industry, Trade and Rural Development who work so diligently to support the Board in the discharge of its mandate. I look forward to another successful year in 2003-04.

Douglas Sheppard
Chairperson, Board of Directors
Business Investment Corporation

2. Overview of the Business Investment Corporation

2.1 Legislative Mandate

Legislative authority for the Business Investment Corporation resides in the Business Investment Corporation Act. The mandate of the Corporation as provided for in the Act is as follows:

“The corporation shall be responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the province.”

2.2 Background

The Business Investment Corporation was established under the authority of the *Business Investment Corporation Act* on April 1, 2002. The Business Investment Corporation is the successor organization to three former Crown corporations: the Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board.

The Business Investment Corporation operates as an arms-length Crown agency reporting to the Minister of Industry, Trade and Rural Development.

2.3 Board of Directors

The affairs of the Corporation are managed by an independent Board of Directors appointed by the Lieutenant-Governor in Council. The Board is comprised of five private sector members and two senior public sector officials:

Chairperson	Mr. Douglas Sheppard, Gander
Vice-Chairperson	Mr. Geoffrey Peters, St. John's
Members	Mr. Warwick Pike, Happy Valley-Goose Bay
	Ms. Jane Morgan, St. John's
	Mr. Lloyd Hines, Grand Bank
	Deputy Minister, Department of Finance
	Deputy Minister, Department of Industry, Trade and Rural Development

2.4 Administrative Support to the Corporation

Administrative support to the Corporation is provided by the Department of Industry, Trade and Rural Development. The Corporation does not have its own dedicated staff. Administrative costs incurred by the Department of Industry, Trade and Rural Development in support of the Corporation are not allocated as an expense to the Corporation in its financial statements.

2.5 Corporation Programs

The Business Investment Corporation is responsible for the administration of the following program activities:

Small Business Seed Capital Equity Program: This program makes equity contributions of up to \$50,000, on a matching basis, to new entrepreneurs or existing small businesses seeking expansion opportunities in areas of the economy that offer significant growth potential. The budget available in fiscal year 2002-03 was \$2.1 million.

Small Business and Market Development Program: This program provides contributions of up to \$25,000, on a matching basis, to new entrepreneurs and expanding small businesses to help them acquire the necessary expertise to pursue new business ideas and markets in new growth areas of the economy. In the 2002-03 fiscal year, the program had a \$500,000 budget.

Fisheries Loan Guarantee Program: This program supports the development of the province's independent fish harvesting industry by providing government guaranteed loans, to a maximum of \$1.3 million, through commercial banks for the purchase of new or used fishing vessels and new equipment for the improvement, rebuilding or alteration of existing vessels. The program is designed to help the independent fish harvesting industry take advantage of ongoing and emerging new opportunities in the fishery.

Aquaculture Working Capital Fund: This program provides working capital loans to commercial mussel and other shellfish growers and processors, complementary to funding available through commercial credit sources and other established federal and provincial government programs. The \$1.5 million Fund was established in 1998 through two federal/provincial cost-shared economic development agreements and operates on a revolving fund basis.

Portfolio Management: The Corporation is responsible for the ongoing management and recovery of business investments made by the Corporation and its predecessor organizations.

3. Highlights and Accomplishments: 2002-03

3.1 Program Activities

- The Corporation invested approximately \$2.2 million in 2002-03 through the Small Business Seed Capital Equity Program in 59 small businesses, leveraging \$12.2 million in additional private and public business financing to help start or grow new small businesses.
- The Corporation invested \$413,174 in 2002-03 through the Small Business Market and Development Program in 46 small businesses, leveraging an additional \$2.0 million in other business financing to help entrepreneurs and small businesses pursue new business ideas and new markets for their products and services.
- The Corporation approved \$9.05 million in new fisheries loan guarantees in 2002-03 through chartered banks to 23 fish harvesting enterprises for the purchase of new fishing vessels or the purchase and/or renovation of used vessels to help them take advantage of ongoing and emerging new business opportunities in the fishery.
- In 2002-03, the Corporation managed the Aquaculture Working Capital Fund which has made investments of \$1.5 million in 14 separate aquaculture enterprises.
- Investments by region were as follows:
 - < Avalon: more than \$4.3 million in 36 firms;
 - < Eastern: more than \$2.5 million in 16 firms;
 - < Central: more than \$2.8 million in 34 firms;
 - < Western: more than \$1.7 million in 35 firms; and
 - < Labrador: more than \$230,000 in nine firms.
- The overall investment portfolio managed by the Business Investment Corporation in 2002-03 was comprised of 2,355 accounts having an outstanding value of \$144.25 million.
- In 2002-03, \$6.6 million was collected and returned to the provincial treasury from principal and interest payments on the investment portfolio.

3.2 Financial Statements

The audited financial statements for the Corporation can be found in *Appendix A* of this report. They will be tabled in the House of Assembly in *Volume IV* of the *Public Accounts for the Year ending March 31, 2003*.

Appendix A: Financial Statements

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

To the Deputy Minister
Department of Industry, Trade
and Rural Development
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Business Investment Corporation as at 31 March 2003 and the statements of equity, revenues and expenses, 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 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
20 June 2003

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2003

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Statement of Revenues and Expenses	Statement 3
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DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

BALANCE SHEET

31 MARCH 2003

	<u>2003</u>	<u>2002</u> (Note 2)
ASSETS		
Cash	\$ 1,415,717	\$ 1,361,286
Loans and equity investments (Note 3)	12,696,762	12,710,535
Operating grant receivable (Note 4)	1,008,295	200,000
Insurance premium receivable	<u>20,783</u>	<u>20,783</u>
	<u>\$15,141,557</u>	<u>\$14,292,604</u>
 LIABILITIES AND EQUITY		
Accounts payable	\$ -	\$ 7,692
Borrower's deposits	68,517	142,590
Due to the Province	<u>-</u>	<u>88,088</u>
	68,517	238,370
Equity	<u>15,073,040</u>	<u>14,054,234</u>
	<u>\$15,141,557</u>	<u>\$14,292,604</u>

See accompanying notes

Signed on behalf of the Board:

Deputy Minister_____
Director of Portfolio Management

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT
BUSINESS INVESTMENT CORPORATION
STATEMENT OF EQUITY
FOR THE YEAR ENDED 31 MARCH 2003

	<u>2003</u>	<u>2002</u> (Note 2)
Contributed capital (Note 8)		
Balance, beginning of year	\$ 82,367,350	\$ 91,986,003
Capital contributions from the Government of Canada	122,187	87,128
Aquaculture Working Capital Fund reserve	8,295	-
Capital contributions from the Province	3,621,500	2,621,500
Principal paid to the Province	(5,065,225)	(4,529,361)
Contributions disbursed as grants	(440,734)	(632,316)
Accounts receivable written off	-	(15,920)
Principal written off, net of recoveries (Note 3)	<u>(4,475,812)</u>	<u>(7,149,684)</u>
Balance, end of year	<u>76,137,561</u>	<u>82,367,350</u>
Deficit		
Balance, beginning of year	(68,313,116)	(79,104,419)
Investment income paid to the Province	(1,546,663)	(2,214,023)
Excess of revenues over expenses	4,319,446	5,855,642
Principal written off, net of recoveries (Note 3)	<u>4,475,812</u>	<u>7,149,684</u>
Balance, end of year	<u>(61,064,521)</u>	<u>(68,313,116)</u>
Equity, end of year	<u>\$ 15,073,040</u>	<u>\$ 14,054,234</u>

See accompanying notes

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT
BUSINESS INVESTMENT CORPORATION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED 31 MARCH 2003

	<u>2003</u>	<u>2002</u> (Note 2)
REVENUES		
Interest on loans	\$ 1,533,163	\$ 1,433,724
Investment income	40,441	36,500
Dividend income	8,895	40,755
Miscellaneous income	24,832	137,080
Recovery in value of loans receivable and equity investments (Note 3)	2,712,395	4,120,870
Recovery on loan guarantees	—	87,037
	<u>4,319,726</u>	<u>5,855,966</u>
EXPENSES		
Miscellaneous expense	280	324
Excess of revenues over expenses	<u>\$ 4,319,446</u>	<u>\$ 5,855,642</u>

See accompanying notes

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2003

	2003	<u>2002</u> (Note 2)
Cash flows from operating activities		
Excess of revenues over expenses	\$ 4,319,446	\$ 5,855,642
Adjustments for non-cash items		
Recovery in value of loans receivable and equity investments	(2,712,395)	(4,120,870)
Recovery on loan guarantees	<u>-</u>	<u>(87,037)</u>
	1,607,051	1,647,735
Changes in non-cash working capital		
Accounts receivable	-	54,116
Operating grant receivable	(808,295)	(87,128)
Accounts payable	(7,692)	58,419
Due to the Province	(88,088)	88,088
Non-refundable deposits	-	(33,016)
Borrower's deposits	<u>(74,073)</u>	<u>-</u>
	<u>628,903</u>	<u>1,728,214</u>
Cash flows from investing activities		
Increase in loans and equity investments	(4,036,871)	(3,788,114)
Collection of loans and equity investments	6,763,039	6,755,644
Provincial bounty on loans advances	-	(95,064)
Life insurance payments	<u>-</u>	<u>(2,045)</u>
	<u>2,726,168</u>	<u>2,870,421</u>
Cash flows from financing activities		
Capital contributions from the Government of Canada	122,187	87,128
Aquaculture Working Capital Fund reserve	8,295	-
Capital contributions from the Province	3,621,500	2,621,500
Principal paid to the Province	(5,065,225)	(4,529,361)
Contributions disbursed as grants	(440,734)	(632,316)
Investment income paid to the Province	(1,546,663)	(2,214,023)
Payments under interest subsidy	-	456,851
Funding for interest subsidy from Province	<u>-</u>	<u>(134,187)</u>
	<u>(3,300,640)</u>	<u>(4,344,408)</u>
Net increase in cash	54,431	254,227
Cash, beginning of year	<u>1,361,286</u>	<u>1,107,059</u>
Cash, end of year	<u>\$ 1,415,717</u>	<u>\$ 1,361,286</u>

See accompanying notes

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2003

Authority

The Business Investment Corporation (the Corporation) was established under the authority of the *Business Investment Corporation Act*. The Corporation is funded by the Province of Newfoundland and Labrador (the Province) and is responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the Province. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

Effective 1 April 2002, the *Business Investment Corporation Act* came into force. Under this *Act*, the Business Investment Corporation was incorporated and became the successor to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board. Also under this *Act*, the *Fisheries Loan Act*, the *Farm Development Loan Act*, the *Economic Recovery Commission Act* and the *Enterprise Newfoundland and Labrador Corporation Act* were repealed.

1. Significant accounting policies

These financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Loans receivable

The Corporation records loans receivable at cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security.

(b) Equity investments

The Corporation records equity investments at cost. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly the Corporation's equity investments for all companies in which the Corporation holds voting rights are accounted for on the cost basis.

Provision is made by the Corporation for any decline in the value of investee companies which is considered to be other than temporary.

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2003

1. Significant accounting policies (cont.)

(c) Revenue recognition

Interest income is accounted for on the accrual basis for all loans other than the impaired portion of loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest, or when payment is contractually past due 90 days. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

Dividends are recorded as income when received.

2. Comparative figures

On 1 April 2002, the *Business Investment Corporation Act* came into force. This *Act* established the Business Investment Corporation (the Corporation) as an amalgamation of Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board. Title to all the property and assets of these former entities is now vested in the Corporation, and the Corporation is charged with and assumes all the obligations and liabilities of these former entities.

The 2002 comparative figures reflect the combined financial position and results of operations for the three entities.

3. Loans and equity investments

The determination of whether a loan is impaired and the appropriate carrying value of equity investments, involves significant judgement. The estimation of an appropriate allowance for decline in value of loans receivable and equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2003

3. Loans and equity investments (cont.)

Loans and equity investments consist of the following:

	<u>2003</u>	<u>2002</u> (Note 2)
Loans receivable		
Principal due and unpaid	\$ 28,222,145	\$ 31,620,830
Principal not yet due	25,765,104	30,278,982
Interest due and unpaid	<u>5,744,520</u>	<u>6,503,551</u>
	<u>59,731,769</u>	<u>68,403,363</u>
 Less allowance for decline in value	 <u>(48,060,751)</u>	 <u>(56,151,713)</u>
	<u>11,671,018</u>	<u>12,251,650</u>
 Equity investments		
Equity investments, at cost	23,087,698	22,028,837
Less allowance for decline in value	<u>(22,061,954)</u>	<u>(21,569,952)</u>
	<u>1,025,744</u>	<u>458,885</u>
 Loans and equity investments	 <u>\$ 12,696,762</u>	 <u>\$ 12,710,535</u>

The allowance for the decline in value of loans receivable and equity investments consists of the following:

	<u>2003</u>	<u>2002</u> (Note 2)
Balance, beginning of year	\$ 77,721,665	\$ 90,327,299
Principal written off, net of recoveries	(4,475,812)	(7,149,684)
Interest written off, net of recoveries	(410,753)	(1,548,043)
Loan guarantee adjustment	-	212,963
Recovery in value of loans receivable and equity investments	<u>(2,712,395)</u>	<u>(4,120,870)</u>
 Balance, end of year	 <u>\$ 70,122,705</u>	 <u>\$ 77,721,665</u>

The allowance for impaired loans represents the Corporation's best estimate of future probable losses with respect to the loans receivable and equity investments. The Corporation recognizes that future economic and industry conditions are not predictable and therefore, their impact on the future cash flows anticipated is uncertain. Consequently, adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2003

4. Operating grant receivable

As at 31 March 2003, the Corporation was due \$1,008,295 (2002 - \$200,000) for operating grants. In March 2003, Cabinet approved the allocation of an additional \$1.0 million to the Corporation for the year ended 31 March 2003. These funds were to be held by the Corporation for a 2003-04 investment in a company in Gander.

5. Related party transactions

Throughout the year the Corporation was administered as a division of the Department of Industry, Trade and Rural Development. Expenses related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements to reflect those expenditures.

6. Contingent liabilities

- (a) A client of the Corporation has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the \$900,000 to \$1,100,000 range. In a matter related to this legal action, another party has been awarded a claim of \$1,800,000. The Province will not appeal this decision.
- (b) A client of the Corporation has filed a Notice of Intended Action against Her Majesty the Queen in right of Newfoundland and Labrador and the Corporation because of an alleged breach of a bounty agreement. The client will be seeking an estimated \$143,700 plus interest. The Statement of Claim issued in relation to this matter was acknowledged by both parties to be defective due to non-compliance with the *Proceedings Against the Crown Act*. There has been no further activity in relation to this claim since the summer of 1991.
- (c) Two clients of the Corporation have filed counter claims against the Corporation's legal action to collect the clients' deficiency loan balances. The clients are claiming that the Corporation repossessed and sold their vessels for an amount less than the fair market value. In addition, the clients are claiming that the total proceeds from the sale of their vessels was not credited towards their outstanding balance. The amount of both claims is estimated at \$50,000. In the opinion of the Corporation there is a good defence to these counter claims.
- (d) There are three counter claims against the Corporation in relation to actions commenced by the Corporation to collect the deficiency balances owing on vessels that have been repossessed and sold. The total of these three counter claims is not expected to exceed \$39,000. In the opinion of the Corporation there is a good defence to these counter claims.

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2003

6. Contingent liabilities (cont.)

- (e) A client of the Corporation has taken legal action claiming that the marine inspectors of the Corporation were negligent in performing their survey of the client's vessel at the time financing was being considered. The plaintiffs are claiming general damages.
- (f) Two clients of the Corporation have taken legal action claiming that the Corporation repossessed and sold their vessel without following proper legal procedure. The claimants are seeking a declaration that they are free from liability under the original Ship's Mortgage and other relief as could be granted by the court. The deficiency balance of the mortgage is approximately \$80,000 plus interest. In the opinion of the Corporation there is a good defence to this action.
- (g) There is a third party claim against Her Majesty the Queen in Right of Newfoundland and Labrador and the Corporation by the defendants in an action by a bank to collect the deficiency balance on a loan to the defendants. The defendants are seeking indemnification and contribution for approximately \$400,000 plus interest. A defence will be filed in this action.
- (h) A statement of claim has been served on the Corporation by a company claiming a breach of contract. The company is claiming special damages of \$811,040, other general and unspecified damages, interest and costs associated with the action. The likelihood of loss as a result of this claim is not determinable.

7. Commitments

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans, equity investments and/or grants in the amount of \$1,190,284 (2002- \$1,220,906). Funding sources for these commitments are cash on hand and operating grant receivable. In addition to these loan commitments the Corporation has outstanding loan guarantees of \$250,000 (2002 - \$300,000).

8. Contributed capital

The Corporation receives capital contributions from the Province and the Government of Canada for the purpose of making loans, equity investments and providing business market development grants. The Corporation depends on these capital contributions to carry out its mandate.

Contributed capital is reduced by the principal portion of loans collected and paid to the Province, the principal portion of loans written off, and by contributions which the Corporation disburses as grants under its Business and Market Development Program.

DEPARTMENT OF INDUSTRY, TRADE AND RURAL DEVELOPMENT

BUSINESS INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2003

9. Forgivable investments

As part of the Strategic Enterprise Development Fund, the former Enterprise Newfoundland and Labrador Corporation disbursed funds to a company in the form of a forgivable loan. The Corporation recorded this expenditure as a grant at the time the disbursement was made. The amount paid to the company is to be forgiven based on the number of hours of employment provided by the company during the year. As at 31 March 2003, the amount outstanding and unearned by the company in connection with this forgivable loan was \$91,828 (2002 - \$237,283).

10. Groundfish moratoria

On 24 April 2003, the Government of Canada announced the closure of the Northern Cod and northern and southern Gulf of St. Lawrence cod fisheries to both commercial and recreational fishing. This action will have significant impact for those who depend on these fisheries and consequently on the ability of the Corporation to recover amounts owing by fishers.

11. Economic dependence

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

12. Income taxes

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

13. Financial instruments

The Corporation's financial instruments recognized in the balance sheet consist of cash, loans and equity investments, operating grant receivable, insurance premium receivable, accounts payable, borrower's deposits and due to the Province. The carrying values of cash, operating grant receivable, insurance premium receivable, accounts payable, borrower's deposits and due to the Province approximate fair value due to the short-term maturity or current market rate associated with these instruments.

The Corporation's loans and equity investments are recognized on the balance sheet at cost with provision being made for any decline in their value. Any estimated impairment of these loans and equity investments has been provided for through an allowance for decline in value and no further credit risk exists for these items. The carrying value of loans and equity investments approximates discounted value of expected receipts. Therefore, their carrying values approximate their fair value and these instruments are not subject to any material interest rate risk.

Appendix B: Business Investment Corporation Act



CHAPTER B-13

AN ACT TO INCORPORATE THE BUSINESS INVESTMENT CORPORATION

(Assented to December 15, 1998)

Analysis

- | | |
|---|-----------------------------------|
| 1. Short title | 11. Actions |
| 2. Definitions | 12. Appropriation |
| 3. Corporation continued | 13. Financial year |
| 4. Corporation vested | 14. Corporation limited to budget |
| 5. Object of corporation | 15. Report to minister |
| 6. Status of corporation | 16. Financial statement |
| 7. Board of directors | 17. Regulations |
| 8. Powers of corporation | 18. Acts repealed |
| 9. By-laws | 19. Transfer validated |
| 10. Corporation may enter into agreements | 20. Commencement |

*Be it enacted by the Lieutenant-Governor and House of Assembly
in Legislative Session convened, as follows:*

Short title 1. This Act may be cited as the *Business Investment Corporation Act*.

1998 cB-13 s1

Definitions 2. In this Act

- (a) "board" means the board of directors appointed under section 7;
- (b) "corporation" means the Business Investment Corporation incorporated by this Act; and
- (c) "minister" means the minister appointed under the Executive Council Act to administer this Act.

1998 cB-13 s2

*Corporation
continued*

3. (1) The Business Investment Corporation is incorporated.
- (2) The *Corporations Act* does not apply to the corporation.
- (3) The corporation is the successor in law to Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board and a subsidiary of either of those corporations.

1998 cB-13 s3

*Corporation
vested*

4. (1) Title to all of the property and assets of Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board and a subsidiary of either of those corporations is vested in the corporation.
- (2) The corporation is charged with and assumes all of the obligations and liabilities of Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board and a subsidiary of either of those corporations.
- (3) An agreement made between Enterprise Newfoundland and Labrador Corporation, the Fisheries Loan Board and the Farm Development Loan Board and a subsidiary of either of those corporations and another party before this Act comes into force continues in force and is binding on the corporation and the other party to it.

1998 cB-13 s4

*Object of
corporation*

5. The corporation shall be responsible for making available and managing investments in small to medium sized private businesses, co-operatives, community development corporations and other enterprises for the purpose of creating employment opportunities for the people of the province.

1998 cB-13 s5

*Status of
corporation*

6. The corporation is an agent of the Crown.

1998 cB-13 s6

*Board of
directors*

7. (1) The Lieutenant-Governor in Council shall appoint a board of directors of the corporation.
- (2) The board shall consist of a minimum of 5 members and a maximum of 9 members.
- (3) The Lieutenant-Governor in Council may appoint one of the directors to be chairperson and one to be vice-chairperson.

*Board of
directors*

7. (4) The board shall not be disabled from acting by reason of a temporary vacancy in its number, but the number of members shall never be less than 4

(5) The board shall exercise all of the powers and discharge all of the duties of the corporation and administer and manage its business.

1998 cB-13 s7

*Powers of
corporation*

8. The corporation may

(a) deposit money or securities with a bank, trustee, trust company or other depository;

(b) appoint agents to act on its behalf for the purpose of this Act and on those conditions that the board shall determine;

(c) grant or lend money to or provide guarantees on behalf of persons carrying on or proposing to carry on a business or other undertaking in the province;

(d) pay off or retire existing debts or obligations of a person engaged in a business, where it is necessary to do so in order to improve the security of a loan or other assistance to the person, or in other circumstances the board considers appropriate in keeping with the objects of the corporation;

(e) take for money loaned or otherwise invested, a security of any nature that the board may consider advisable;

(f) take, or otherwise acquire and hold, the shares, stock, debentures or other securities of a company wherever incorporated and sell or otherwise deal with them;

(g) take over the assets of and carry on, either alone or in conjunction with another person, as often and for the period that the board may think advisable, the business or a part of the business of a person indebted to the corporation;

(h) invest and deal with, in the manner that may be determined by the board, the money of the corporation or on deposit with the corporation that is not immediately required;

(i) draw, make, accept, endorse, execute and issue promissory notes, bills of exchange and other negotiable or transferable instruments; and

<i>Powers of corporation</i>	8. (j) generally, do all things which the corporation considers necessary, convenient or advisable for or incidental to the exercise of the powers and the discharge of the obligations of the corporation.	1998 cB-13 s8
<i>By-laws</i>	9. The board may make by-laws generally for the conduct and management of the affairs of the corporation.	1998 cB-13 s9
<i>Corporation may enter into agreements</i>	10. The corporation in keeping with its objects may work with the Government of Canada or one of its departments or agencies to carry out or implement programs on their behalf but a contract or agreement binding the corporation in this regard is subject to the approval of the Lieutenant-Governor in Council.	1998 cB-13 s10
<i>Actions</i>	11. Legal proceedings in respect of a right or obligation acquired or incurred by the corporation may be brought by or against it in the name of the corporation.	1998 cB-13 s11
<i>Appropriation</i>	12. The financial requirements of the corporation shall be defrayed out of money appropriated for that purpose by the Legislature or funds derived from a source or agreement under section 10.	1998 cB-13 s12
<i>Financial year</i>	13. The financial year of the corporation shall be the same as the financial year of the province.	1998 cB-13 s13
<i>Corporation limited to budget</i>	14. Except with the approval of the Lieutenant-Governor in Council, the corporation shall not in a year contract or become liable for an expenditure or indebtedness beyond or in excess of the amount appropriated under section 12 and derived from an agreement under section 10.	1998 cB-13 s14
<i>Report to minister</i>	15. The corporation shall, not later than September 30 in each year, prepare and submit to the minister a financial statement setting out the assets and liabilities of the corporation, a copy of its audited financial statement and the receipts and expenditures of the corporation for the previous financial year.	1998 Cb-13 s15

Financial statement

16. (1) The financial statement referred to in section 15 shall be signed by the chairperson of the corporation and one member of the board.

(2) An independent auditor shall examine the financial statement referred to in section 15 prior to the statement being submitted to the minister.

1998 cB-13 s16

Regulations

17. The Lieutenant-Governor in Council may make regulations to give effect to the provisions of this Act including regulations for the general administration of this Act.

1998 cB-13 s17

Acts repealed

18. The Fisheries Loan Act, the Farm Development Loan Act, the Economic Recovery Commission Act and the Enterprise Newfoundland and Labrador Corporation Act are repealed.

1998 cB-13 s18

Transfer validated

19. (1) The transfer of the duties, powers and functions of the Fisheries Loan Board and the Farm Development Loan Board to Enterprise Newfoundland and Labrador Corporation purporting to have been effected by Order-in-Council under the Rearrangement and Transfer of Duties Act is considered to have been lawfully done.

(2) Anything done by Enterprise Newfoundland and Labrador Corporation or a subsidiary of that corporation after April 1, 1995 as a result of the purported transfer referred to in subsection (1) is considered to have been lawfully done.

1998 cB-13 s19

Commencement

20. This Act comes into force on a day to be proclaimed by the Lieutenant-Governor in Council. (In force - April 1, 2002)

1998 cB-13 s20

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