

**Business Investment Corporation**  
**Annual Report for the Fiscal Year 2003-04**

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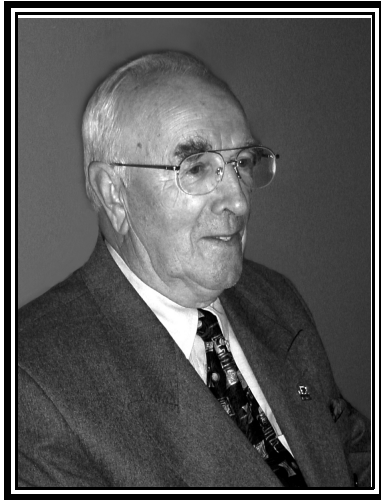
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## 1. **Message from the Chairperson**

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**Douglas Sheppard**

On behalf of the Board of Directors, I am pleased to present the 2002-03 Annual Report of the Business Investment Corporation to the Minister of Innovation, Trade and Rural Development.

The Corporation's mandate is to direct the management of the investment portfolio of the Department of Innovation, Trade and Rural Development, 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 2003-04, the Corporation invested approximately \$2.75 million in more than 112 small businesses, leveraging an additional \$30.8 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 \$8.9 million in new fisheries loan guarantees to 16 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 2003-04 had an outstanding value of more than \$134.8 million, which included \$41.5 million in fisheries loan guarantees.

I thank my fellow members of the Board of Directors for their support and commitment in 2003-04. I also thank the dedicated officials in the Department of Innovation, Trade and Rural Development who work so diligently to support the Board in the discharge of its mandate.

**Douglas Sheppard**  
Chairperson, Board of Directors  
Business Investment Corporation



## **2. Overview of the Business Investment Corporation**

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### **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 a Crown agency reporting to the Minister of Innovation, 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 comprises 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 Innovation, Trade and Rural Development

## **2.4 Administrative Support to the Corporation**

Administrative support to the Corporation is provided by the Department of Innovation, Trade and Rural Development. The Corporation does not have its own staff. Administrative costs incurred by the Department of Innovation, 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 2003-04 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 2003-04 fiscal year, the program had a \$525,000 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: 2003-04**

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#### **3.1 Program Activities**

- The Corporation invested approximately \$2.3 million in 2003-04 through the Small Business Seed Capital Equity Program in 58 small businesses, leveraging \$27.4 million in additional private and public business financing to help start or grow new small businesses. Investments in excess of the \$2.1 million budgeted in were the result of carry overs from the previous fiscal year.
- The Corporation invested \$457,795 in 2003-04 through the Small Business Market and Development Program in 54 small businesses, leveraging an additional \$3.4 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 \$8.9 million in new fisheries loan guarantees in 2003-04 through chartered banks to 16 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 2003-04, the Corporation managed the Aquaculture Working Capital Fund which had a budget of \$1.5 million invested in 14 enterprises. There were no new investments in this revolving fund during the 2003-04 fiscal year.
- Investments by region were as follows:
  - ▶ Avalon: more than \$700,200 in 22 firms;
  - ▶ Eastern: more than \$363,900 in 19 firms;
  - ▶ Central: more than \$411,900 in 18 firms;
  - ▶ Western: more than \$947,000 in 41 firms; and
  - ▶ Labrador: more than \$333,500 in 12 firms.
- The overall investment portfolio managed by the Business Investment Corporation in 2003-04 comprised 2,104 accounts having an outstanding value of \$134.8 million. This included the fisheries loan guarantee portfolio of 139 accounts, valued at \$41.5 million, which is administered in conjunction with the Department of Finance.
- In 2003-04, \$5.0 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 are 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, 2004*.

## Appendix A: Financial Statements

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7 September 2004

Mr. Douglas Sheppard  
Chairperson  
Business Investment Corporation  
Department of Innovation, Trade and Rural Development  
P.O. Box 8700  
St. John's, Newfoundland and Labrador  
A1B 4J6

Dear Mr. Sheppard:

I enclose four copies of the audited financial statements of the Business Investment Corporation for the year ended 31 March 2004. After signing, please return the unbound copy to me.

The Comptroller General, Treasury Board Secretariat, has indicated that a signed copy of the audited financial statements should also be forwarded to that Office.

Yours truly,

**JOHN L. NOSEWORTHY, C.A.**  
**Auditor General**

Enclosure

c.c. Honourable Kathy Dunderdale  
Minister of Innovation, Trade and Rural Development

Mr. Ronald Williams, C.A.  
Comptroller General

To the Board of Directors  
Business Investment Corporation  
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Business Investment Corporation as at 31 March 2004 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 2004 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  
18 June 2004

**BUSINESS INVESTMENT CORPORATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2004**

**BUSINESS INVESTMENT CORPORATION**  
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**31 March 2004**

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Statement of Cash Flows	" 4

**STATEMENT 1**

**BUSINESS INVESTMENT CORPORATION**  
**BALANCE SHEET**  
 31 March

	<b>2004</b>	<b>2003</b>
<hr/>		
<b>ASSETS</b>		
Cash (Note 2)	<b>\$ 1,513,481</b>	\$ 1,415,717
Loans and equity investments (Note 3)	<b>11,336,068</b>	12,696,762
Due from the Province	<b>49</b>	1,008,295
Insurance premium receivable	<b>20,783</b>	20,783
Long-term investments (Note 4)	<b>9,422</b>	-
<hr/>		
	<b>\$12,879,803</b>	\$ 15,141,557
<hr/>		
<b>LIABILITIES AND EQUITY</b>		
Borrowers' deposits	<b>\$ 68,517</b>	\$ 68,517
Equity	<b>12,811,286</b>	15,073,040
<hr/>		
	<b>\$12,879,803</b>	\$ 15,141,557
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**Contingent liabilities (Note 5)**  
**Commitments (Note 6)**

*See accompanying notes*

Signed on behalf of the Board:

\_\_\_\_\_  
 Chairperson

\_\_\_\_\_  
 Director of Portfolio Management

## STATEMENT 2

**BUSINESS INVESTMENT CORPORATION**  
**STATEMENT OF EQUITY**  
**For the Year Ended 31 March**

2004

2003

**Contributed capital (Note 7)**

<b>Balance, beginning of year</b>	<b>\$ 76,137,561</b>	\$ 82,367,350
Capital contributions from the Government of Canada	-	122,187
Aquaculture Working Capital Fund reserve (Note 2)	<b>20,647</b>	8,295
Capital contributions from the Province	<b>1,621,500</b>	3,621,500
Principal paid to the Province	<b>(4,143,714)</b>	(5,065,225)
Contributions disbursed as grants	<b>(407,456)</b>	(440,734)
Principal written off, net of recoveries (Note 3)	<b>(5,050,008)</b>	(4,475,812)
<b>Balance, end of year</b>	<b>68,178,530</b>	76,137,561

**Deficit**

<b>Balance, beginning of year</b>	<b>(61,064,521)</b>	(68,313,116)
Investment income paid to the Province	<b>(863,699)</b>	(1,546,663)
Excess of revenues over expenses	<b>1,510,968</b>	4,319,446
Principal written off, net of recoveries (Note 3)	<b>5,050,008</b>	4,475,812
<b>Balance, end of year</b>	<b>(55,367,244)</b>	(61,064,521)
<b>Equity, end of year</b>	<b>\$ 12,811,286</b>	\$ 15,073,040

*See accompanying notes*



**STATEMENT 3**

**BUSINESS INVESTMENT CORPORATION  
STATEMENT OF REVENUES AND EXPENSES  
For the Year Ended 31 March**

	<b>2004</b>	<b>2003</b>
<b>REVENUES</b>		
Interest on loans	<b>\$994,861</b>	\$1,533,163
Investment income	<b>47,027</b>	40,441
Dividend income	<b>97,161</b>	8,895
Miscellaneous income	-	24,832
Recovery in value of loans receivable and equity investments (Note 3)	<b>362,641</b>	2,712,395
Gain from demutualization	<b>9,422</b>	-
	<b>1,511,112</b>	4,319,726
<b>EXPENSES</b>		
Miscellaneous expense	<b>144</b>	280
<b>Excess of revenues over expenses</b>	<b>1,510,968</b>	4,319,446

*See accompanying notes*

**STATEMENT 4**

**BUSINESS INVESTMENT CORPORATION  
STATEMENT OF CASH FLOWS  
For the Year Ended 31 March**

	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	<b>\$1,510,968</b>	\$4,319,446
Adjustments for non-cash items		
Gain on demutualization	<b>(9,422)</b>	-
Recovery in value of loans receivable and equity investments	<b>(362,641)</b>	(2,712,395)
	<b>1,138,905</b>	1,607,051
Changes in non-cash operating items		
Due from the Province	<b>1,008,246</b>	(808,295)
Accounts payable	-	(7,692)
Due to the Province	-	(88,088)
Borrowers' deposits	-	(74,073)
	<b>2,147,151</b>	628,903
<b>Cash flows from investing activities</b>		
Increase in loans and equity investments	<b>(3,162,670)</b>	(4,036,871)
Collection of loans and equity investments	<b>4,886,005</b>	6,763,039
	<b>1,723,335</b>	2,726,168
<b>Cash flows from financing activities</b>		
Capital contributions from the Government of Canada	-	122,187
Aquaculture Working Capital Fund reserve	<b>20,647</b>	8,295
Capital contributions from the Province	<b>1,621,500</b>	3,621,500
Principal paid to the Province	<b>(4,143,714)</b>	(5,065,225)
Contributions disbursed as grants	<b>(407,456)</b>	(440,734)
Investment income paid to the Province	<b>(863,699)</b>	(1,546,663)
	<b>(3,772,722)</b>	(3,300,640)
<b>Net increase in cash</b>	<b>97,764</b>	54,431
<b>Cash, beginning of year</b>	<b>1,415,717</b>	1,361,286
<b>Cash, end of year</b>	<b>1,513,481</b>	1,415,717

*See accompanying notes*

**BUSINESS INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**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.

The Business Investment Corporation Act came into force effective 1 April 2002. 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's management 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.

**BUSINESS INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**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. Aquaculture Working Capital Fund**

During the fiscal years 2000-01 to 2002-03, the Corporation received \$1.5 million from the Government of Canada to fund the Aquaculture Working Capital Fund (the Fund). The Fund assists individuals and companies in the shellfish industry throughout the Province through repayable loans. The Fund is a revolving fund in which loan repayments are not remitted to the Province but held by the Corporation to be paid out as future aquaculture loans.

As at 31 March 2004, the Fund had 19 loans outstanding totalling \$1,479,866. During 2003-04, the Corporation established a separate loan portfolio and bank account to administer the Fund and assist in identifying payments that are received and held for future loans. As at 31 March 2004, the Fund had a balance of \$55,520 of which \$55,471 was held in cash and \$49 was set up as accounts receivable.

**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 managements best estimates based on available information.

**BUSINESS INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. Loans and equity investments (cont.)**

Loans and equity investments consist of the following:	<u>2004</u>	2003
<b>Loans receivable</b>		
Principal due and unpaid	\$25,308,386	\$28,222,145
Principal not yet due	\$22,222,734	\$25,765,104
Interest due and unpaid	\$4,532,297	\$5,744,520
	<b>\$52,063,417</b>	<b>\$59,731,769</b>
Less allowance for decline in value	(\$41,744,474)	(\$48,060,751)
	<b>\$10,318,943</b>	<b>\$11,671,018</b>
<b>Equity investments</b>		
Equity investments, at cost	22,613,551	23,087,698
Less allowance for decline in value	(21,596,426)	(22,061,954)
	<b>1,017,125</b>	<b>1,025,744</b>
<b>Loans and equity investments</b>	<b>11,336,068</b>	<b>12,696,762</b>
The allowance for the decline in value of loans receivable and equity investments consists of the following:		
	<u>2,004</u>	2,003
<b>Balance, beginning of year</b>	<b>70,122,705</b>	<b>77,721,665</b>
Principal written off, net of recoveries	(5,050,008)	(4,475,812)
Interest written off, net of recoveries	(1,007,835)	(410,753)
Interest receivable adjustment	(361,321)	-
Recovery in value of loans receivable and equity investments	(362,641)	(2,712,395)
Balance, end of year	<b>63,340,900</b>	<b>70,122,705</b>

The allowance for impaired loans represents the Corporations 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.

**BUSINESS INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**4. Long-term investments**

Long-term investments consist of 673 shares of Sun Life Financial Services of Canada Incorporated which were given to the Corporation as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares are recognized at the fair market value of \$9,422 as determined by the share price at the time of the transfer of shares to the Corporation. The fair market value of these shares was \$18,676 as at 31 March 2004.

**5. 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 is 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 relating to the Corporations 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 defense 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 defense to these counter claims.

**BUSINESS INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**5. 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.

**6. Commitments**

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans, equity investments and/or grants in the amount of \$1,181,383 (2003- \$1,190,284). 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 (2003 - \$250,000).

**7. 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.

**BUSINESS INVESTMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 March 2004**

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**8. Financial instruments**

The Corporation's financial instruments recognized in the balance sheet, in addition to the long-term investments described in Note 4, consist of cash, loans and equity investments, due from the Province, insurance premium receivable, and borrowers' deposits. The carrying values of cash, due from the Province, insurance premium receivable, and borrowers' deposits 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.

**9. Related party transactions**

The Corporation is administered as a division of the Department of Innovation, 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.

**10. 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.

**11. 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.