

FINANCIAL STATEMENTS

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

For the year ended

March 31, 2014

Northwest Territories Business Development and Investment Corporation

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation (the Corporation) are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS). Where PSAS permits alternative accounting methods, management has chosen those that are most appropriate. Where required, management's best estimates and judgement have been applied in the preparation of these consolidated financial statements.

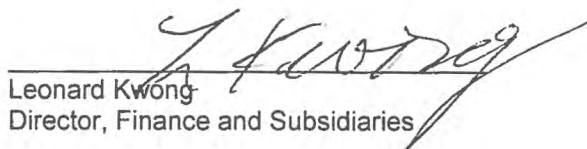
In discharging its responsibility for the integrity, fairness and quality of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper records are maintained, and the Corporation complies with applicable laws and conflict of interest rules. These controls and practices help to ensure the orderly conduct of business, the accuracy of the accounting records, the timely preparation of financial information, and adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit Committee, which is comprised of directors who are not employees of the Corporation. The Audit Committee meets with management on a regular basis. The external auditors also have full and free access to the Audit Committee.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and consolidated financial statements of the Corporation and for issuing his report thereon.



Pawan Chugh
Chief Executive Officer


Leonard Kwong
Director, Finance and Subsidiaries

August 22, 2014



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Northwest Territories Business Development and Investment Corporation

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Northwest Territories Business Development and Investment Corporation, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Business Development and Investment Corporation as at 31 March 2014, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Northwest Territories Business Development and Investment Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Northwest Territories Business Development and Investment Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories and regulations, the *Northwest Territories Business Development and Investment Corporation Act* and regulations and the by-laws of the Northwest Territories Business Development and Investment Corporation.

A handwritten signature in black ink, appearing to read 'Guy LeGras', is positioned above the printed name.

Guy LeGras, CA
Principal
for the Auditor General of Canada

22 August 2014
Edmonton, Canada

Northwest Territories Business Development and Investment Corporation**Consolidated Financial Statements (March 31, 2014)**

	<u>Page</u>
Consolidated Statement of Financial Position	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Operations and Accumulated Surplus	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 29
Schedule A – Consolidated Schedule of Tangible Capital Assets	30

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Financial Position (000's)


	March 31, 2014	March 31, 2013
	\$	\$
Financial Assets		
Cash (Note 3)	14,958	13,931
Accounts receivable	163	169
Inventories held for resale (Note 4)	353	343
Loans receivable (Notes 5 and 6)	36,216	37,511
Venture investments (Note 7)	66	78
	51,756	52,032
Liabilities		
Accounts payable and accrued liabilities (Note 12)	1,444	1,167
Post-employment benefits (Note 8)	418	419
Advances from the Government (Note 9)	28,015	30,372
Asset retirement obligations (Note 10)	13	235
	29,890	32,193
Net financial assets	21,866	19,839
Non-financial assets		
Tangible capital assets (Schedule A)	357	466
Inventories held for use (Note 4)	157	157
Prepaid expenses	6	20
	520	643
Accumulated surplus	22,386	20,482

Commitments and contingencies (Notes 14 and 15)

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Approved by:


Darrell Beaulieu
Chairperson of the Board of Directors


Denise Yuhas
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Change in Net Financial Assets (000's)**

For the year ended March 31	Budget 2014	Actual 2014	Actual 2013
	\$	\$	\$
Annual surplus	1,209	1,904	1,511
Acquisition of tangible capital assets	-	(25)	(12)
Amortization of tangible capital assets	137	134	127
Loss on disposal of tangible capital assets	-	-	12
Proceeds on sale of tangible capital assets	-	-	1
Write-down of tangible capital assets	-	-	11
	137	109	139
Acquisition of inventories held for use	-	(168)	(123)
Acquisition of prepaid expenses	-	(18)	(30)
Use of inventories held for use	200	168	197
Use of prepaid expenses	-	32	41
	200	14	85
Increase in net financial assets	1,546	2,027	1,735
Net financial assets, beginning of year	19,839	19,839	18,104
Net financial assets, end of year	21,385	21,866	19,839

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Operations and Accumulated Surplus (000's)**

For the year ended March 31	Budget 2014	Actual 2014	Actual 2013
	\$	\$	\$
Revenues			
Interest on loans receivable	2,000	2,081	2,099
Sales and other income	641	671	895
Gain on sale of Nahanni Butte General Store Ltd. (Note 11)	-	169	-
Interest on pooled cash (Note 3)	145	160	156
Dividends	8	7	16
Recovery of venture investments	-	-	114
	2,794	3,088	3,280
Government transfers (Note 12)	4,601	3,905	4,679
	7,395	6,993	7,959
Expenses (Note 13)			
Lending and investments	4,506	3,523	3,908
Retail and manufacturing	1,680	1,566	2,540
	6,186	5,089	6,448
Annual surplus	1,209	1,904	1,511
Accumulated surplus, beginning of year	20,482	20,482	18,971
Accumulated surplus, end of year	21,691	22,386	20,482

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation**Consolidated Statement of Cash Flows (000's)**

For the year ended March 31	2014	2013
	\$	\$
Operating transactions		
Cash received from:		
Governments	3,618	3,897
Customers	620	953
Interest	2,015	2,058
Dividends	7	8
	6,260	6,916
Cash paid for:		
Compensation and benefits	2,203	2,273
Payments to suppliers	1,546	1,947
Interest on advances from the Government	356	374
Grants and contributions	207	242
	4,312	4,836
Cash provided by operating transactions	1,948	2,080
Capital transactions		
Acquisition of tangible capital assets	(25)	(12)
Proceeds on sale of tangible capital assets	-	1
Cash used for capital transactions	(25)	(11)
Investing transactions		
Loans receivable disbursed	(2,222)	(4,366)
Loans receivable repaid	3,761	4,792
Cash included in sale of Nahanni Butte General Store Ltd.	(103)	-
Redemptions of venture investments	12	127
Proceeds on sale of asset held for sale	-	125
Cash provided by investing transactions	1,448	678
Financing transactions		
Repayment of advances from the Government	(2,344)	(1,826)
Cash used for financing transactions	(2,344)	(1,826)
Increase in cash	1,027	921
Cash, beginning of year	13,931	13,010
Cash, end of year	14,958	13,931

The accompanying notes and Schedule A are an integral part of these consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2014

1. The Corporation

(a) Authority

The Northwest Territories Business Development and Investment Corporation (the Corporation) was established on April 1, 2005 pursuant to the *Northwest Territories Business Development and Investment Corporation Act* (the Act).

The Corporation is a territorial corporation of the Government of the Northwest Territories (the Government) named in Schedule B of the *Financial Administration Act* (the FAA). Accordingly, the Corporation operates in accordance with Part IX of the FAA, the Act and its regulations, and any directives issued to it by the Minister responsible for the Corporation under Section 4 of the Act.

(b) Mandate

The mandate of the Corporation is to support the economic objectives of the Government by encouraging the creation and development of business enterprises in the Northwest Territories and by providing information and financial assistance to, and making investments in, such enterprises.

(c) Government transfers and advances

In accordance with Section 30 of the Act, the Corporation must annually submit a corporate plan, operating budget and capital budget identifying the transfers requested from the Government for approval by the Financial Management Board (the FMB) prior to the commencement of the fiscal year. The transfers received from the Government are for the purposes of financing the Corporation's general operations; making capital investments in, and providing working capital advances and operating subsidies to, business enterprises based on need; providing transfers for business development projects; and purchasing tangible capital assets for the Corporation. The transfers are repayable to the Government if not completely spent within the fiscal year in which they were provided.

The Corporation and its organizations are economically dependent upon the transfers received from the Government for their ongoing operations.

Section 26 of the Act also authorizes the Government to advance to the Corporation an amount out of the Consolidated Revenue Fund not exceeding \$150 million for the purposes of providing financial assistance to, or making investments in, business enterprises. These advances are repayable to the Government on demand.

(d) Taxes

The Corporation and its organizations are exempt from the payment of municipal and territorial taxes pursuant to Section 35 of the Act and federal income tax pursuant to Section 149 of the *Income Tax Act* of Canada.

(e) Budget

The consolidated budget figures have been derived from the budgets approved by the FMB and the Corporation's board of directors. Other budgeted amounts have been approved by the Corporation's senior management.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2014

2. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (the PSAB).

(a) Measurement uncertainty

The preparation of the consolidated financial statements, in accordance with PSAS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although at the time of preparation of these consolidated financial statements, management believes the estimates and assumptions to be reasonable.

The more significant estimates relate to the determination of the allowance for credit losses, the useful lives of tangible capital assets, the provision for termination and removal benefits, environmental liabilities, asset retirement obligations, and services received without charge. A variation in the quality of the loan portfolio or economic conditions under which these estimates are made could result in significant changes in these management estimates.

The significant accounting policies followed by the Corporation in the preparation of these consolidated financial statements are summarized below:

(b) Principles of consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity, which includes the Corporation and the organizations it controls. All inter-entity transactions and balances have been eliminated upon consolidation. These consolidated financial statements include the accounts of the following organizations:

Organization	Location	Percentage Ownership	Incorporation Date
Light manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NT	100%	September 25, 1991
Aklavik & Tuktoyaktuk Furs Ltd.	Tuktoyaktuk, NT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NT	100%	December 18, 1997
Fine arts and souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NT	100%	October 15, 1992
5983 N.W.T. Ltd. (o/a Ulukhaktok Arts Centre)	Ulukhaktok, NT	100%	February 12, 2008
Wholesale/retail stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NT	51%	October 15, 1992
Muskox Harvesting			
6355 N.W.T. Ltd.	Sachs Harbour, NT	100%	May 12, 2011

2. Summary of significant accounting policies (continued)**(b) Principles of consolidation (continued)**

The Corporation sold its common and preferred shares in the Nahanni Butte General Store Ltd. during the year (Note 11). The revenues and expenses of the organization are proportionately consolidated for the period that the Corporation controlled the organization. As at the date the Corporation no longer controlled the organization, the Corporation derecognized the related assets and liabilities and recognized a gain on sale.

(c) Cash

Cash is comprised of bank account balances (net of outstanding cheques). Surplus cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets which can be withdrawn at any time, and are not restricted by maturity dates on investments made by the Government. Cash also includes funds and reserves subject to restrictions as described in Note 3.

(d) Inventories

Inventories held for resale consist of finished goods and are carried at the lower of cost and net realizable value, with cost being determined on a first in, first out basis. Inventories held for use consists of raw materials and work-in-process and are carried at the lower of cost and net realizable value, with cost determined on a first in, first out basis.

(e) Loans receivable

Loans receivable are initially recognized at amortized cost. Valuation allowances are used to adjust the carrying amount of loans receivable to the lower of cost and net recoverable value. Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. When payment is three months past due (unless the loan is fully secured), or six months past due (regardless of whether or not the loan is fully secured), the underlying loan is classified as impaired.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net recoverable value through an adjustment to the allowance for credit losses. Changes in the estimated net recoverable value arising subsequent to initial impairment are adjusted through the allowance for credit losses.

Interest income is recognized on an accrual basis using the effective interest rate method until such time as the loan is classified as impaired. All payments received (i.e. recoveries) on an impaired loan are credited against the carrying amount of the loan and recognized as an adjustment to the allowance for credit losses. The loan reverts to performing status when all provisions for credit losses are reversed and, in management's opinion, the ultimate collection of principal and interest is reasonably assured. At that time, previously non-accrued interest income is recognized as interest income.

2. Summary of significant accounting policies (continued)**(e) Loans receivable (continued)**

Under the provisions of the FAA, an account (loan or venture investment) can only be approved for write-off by either the Board of Directors (\$20,000 or less) or the Legislative Assembly (over \$20,000). An account that has been written off is still subject to collection action. An account can only be approved for forgiveness by the FMB (\$1,000 or less) or the Legislative Assembly (over \$1,000). Once an account has been forgiven, no further collection action is possible.

(f) Allowance for credit losses

The allowance for credit losses represents management's best estimate of the probable credit losses existing in the loan portfolio. In determining the allowance for credit losses, management segregates probable credit losses into two components: specific and general.

The specific allowance is established on an individual loan basis to recognize credit losses. When a loan is considered impaired, the carrying amount of the loan is reduced to its estimated net recoverable value by discounting the expected future cash flows at the effective interest rate inherent in the loan. If the expected future cash flows cannot be reasonably determined, the fair value of the underlying security of the loan is used to determine net recoverable value.

The general allowance is established using management's best judgement to reflect the probable losses on performing loans which cannot yet be specifically identified as impaired. The general allowance is based on the Corporation's historical loan loss experience, aggregate exposure to particular industries or geographical regions and prevailing economic conditions.

The allowance for credit losses is an accounting estimate based on historical loan loss experience and an assessment of current economic conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's best estimate.

The allowance is increased or decreased by changes in the estimated net recoverable values during the current period and is reduced by recoveries and loan write-offs.

(g) Venture investments

Venture investments are recognized at cost less any write-downs to reflect impairment in value.

Gains and losses on disposal are recognized in income when realized. Where there has been a significant and other than temporary decline in value, the investment is written down to recognize the loss. Dividends from venture investments are included in revenue when received. When they are received they are deposited to the Venture Investment Fund to be used for additional investments in venture activities.

There is no active quoted market.

(h) Asset retirement obligations

The fair value of an asset retirement obligation is recognized in the period in which the obligation is incurred and is discounted from the expected date of settlement back to its present value using the Corporation's credit-adjusted risk-free rate. The fair value of the estimated obligation is recognized as a liability, with a corresponding increase in the carrying amount of the related asset.

2. Summary of significant accounting policies (continued)**(h) Asset retirement obligations (continued)**

The costs capitalized to the related assets are amortized to earnings in a manner consistent with the amortization of the underlying asset. The liability amount is increased in each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of a retirement obligation are charged against the obligation to the extent of the liability recognized.

(i) Government transfers

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

The Government provides certain services without charge to the Corporation. The estimated cost of these services is recognized as services received without charge, which is included in government transfers, and is included in the Corporation's expenses.

(j) Employee future benefits

i) Pension benefits: Substantially all of the employees of the Corporation are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

ii) Termination and removal benefits: Employees are entitled to termination benefits and reimbursement of removal costs, as provided for under labour contracts and conditions of employment, based upon years of service. The benefits are paid upon resignation, retirement or death of an employee. The cost of these benefits is accrued as employees render the services necessary to earn them. Termination benefits are also recognized when employees are identified for lay-off. The cost of the benefits has been determined based on management's best estimates using the expected compensation level and employee leave credits.

(k) Tangible capital assets

Tangible capital assets are carried at cost less accumulated amortization and write-downs. Amortization is recognized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years

2. Summary of significant accounting policies (continued)**(k) Tangible capital assets (continued)**

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

(l) Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, loans receivable, venture investments, accounts payable and accrued liabilities, and the advances from the Government. These financial instruments are measured at amortized cost.

(m) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the change net financial assets during the year.

(n) Segment disclosure

The Corporation presents segment information for lending and investment and retail and manufacturing activities. Lending and investment represents the activities of the Corporation and retail and manufacturing represents the activities of the organizations the Corporation controls. All revenues except for sales and other income are generated from lending and investment activities.

3. Cash

Cash is comprised of cash held by the Corporation for operations, in funds and reserves established under the Act, and for employee future benefits, as well as cash held by the Corporation's organizations. Cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. Cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 1.10% during the year (2013: 1.10%).

In accordance with Section 27 of the Act, the Corporation is required to establish a Loan and Investments Fund for its lending and investing activities. The Program, Projects and Services Continuation Regulations (Regulations) of the Corporation specifies in Part 1 Section 4 (2), that a Loans and Bonds Fund will be used to record the lending operations while in Part 2 Section 19 (2), a Venture Investment Fund will be used to record the venture investment operations. Furthermore, under the Regulations Part 2 Section 18 (2), the Corporation has the obligation to continue to maintain a Capital Fund and the Subsidy Fund.

In addition to these funds, the Corporation is required under the Regulations Part 2 Sections 18 (6) and 19 (5) to establish a Capital Reserve Fund and Venture Reserve Fund respectively. The Corporation will continue to deposit to the reserve funds an amount equal to 10% of each capital or venture

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

3. Cash (continued)

investment made. The Corporation may use the reserve funds for further investment or financing for its organizations and venture investments through approved drawdowns.

The Corporation is responsible for administering post-employment benefits including the cash held (Note 8b).

	000's	
	2014	2013
	\$	\$
Cash held by the Corporation for operations	6,357	5,793
Cash held by the Corporation's organizations	960	1,157
Cash held for post-employment benefits	417	429
	7,734	7,379
Venture Investment Fund	4,065	4,045
Capital Fund	873	873
Subsidy Fund	462	518
Venture Reserve Fund	485	485
Loans and Bonds Fund	1,192	484
Capital Reserve Fund	147	147
	7,224	6,552
	14,958	13,931

4. Inventories

	000's	
	2014	2013
	\$	\$
Inventories held for resale:		
Arts and crafts	266	233
Canvas products	87	84
Retail store	-	22
Muskox products	-	4
	353	343
Inventories held for use:		
Materials and supplies	157	157

During the year, no inventories were written down (2013: nil) and no inventories were pledged as security. Also during the year, the Corporation had no recoveries on inventory that had been previously written down to nil carrying value (2013: nil). Inventory write-downs and recoveries are included in the cost of goods sold.

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

5. Loans receivable

The Corporation provides variable and fixed rate loans for periods up to five years with the amortization period not to exceed twenty-five years.

The Corporation charges its clients prime plus 2%, 3%, or 4%, depending on the security provided, client's management ability, the client's investment, and the amortization period. The Corporation holds various types of security on its loans, including real property, aircraft, heavy equipment, and general security agreements.

Loans receivable are expected to mature as follows:

		000's			
		2014		2013	
		Rate	Balances	Rate	Balances
		%	\$	%	\$
Performing loans due within:	1 year	5.09	4,563	6.50	513
	1-2 years	5.15	4,803	5.14	5,580
	2-3 years	5.14	16,374	5.11	5,349
	3-4 years	5.70	4,478	5.14	18,930
	over 4 years	5.73	4,276	5.67	4,877
			34,494		35,249
Accrued loan interest receivable			169		173
Impaired loans			7,952		8,518
			42,615		43,940
Less: allowance for credit losses (Note 6)			6,399		6,429
			36,216		37,511

In 2014, no accounts were written off by the Legislative Assembly (2013: nil) and no accounts were written off by the Board of Directors (2013: one account totalling \$5,000). In 2014, no accounts were forgiven by the Legislative Assembly (2013: nil). No accounts were forgiven by the FMB during the current year (2013: nil). In 2014, recoveries on loans previously written off totalled \$6,000 (2013: \$23,000).

Concentration of credit risk

Concentration of credit risk may arise from exposure to groups of debtors having similar characteristics such that their ability to meet their obligations may be affected similarly by changes in economic or other conditions. The concentrations of performing loans and impaired loans by geographic and enterprise concentrations are displayed in the following tables:

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2014

5. Loans receivable (continued)

Enterprise concentration

Enterprise	000's			
	2014		2013	
	Performing	Impaired	Performing	Impaired
	\$	\$	\$	\$
Construction	8,669	687	9,307	761
Retail trade	6,714	864	6,943	905
Accommodations, food and beverage	4,499	2,413	3,876	2,522
Transportation and storage	3,714	60	4,111	90
Real estate and rentals	3,184	-	3,326	-
Wholesale trade	2,857	-	3,108	-
Other services	898	294	1,018	305
Travel and tourism	644	1,852	911	1,734
Finance and insurance	632	666	380	788
Manufacturing	607	25	704	-
Management of companies	564	-	535	-
Communication	494	-	-	131
Business services	430	-	464	-
Health care	371	-	378	-
Arts and craft	178	-	188	-
Forestry and logging	39	11	-	11
Oil and gas	-	974	-	1,153
Educational services	-	59	-	61
Fisheries and wildlife	-	47	-	57
	34,494	7,952	35,249	8,518

The loans receivable balance contains loans, totalling \$135,000, made to venture investees (2013: \$189,000). These loans are in addition to the venture investments shown in Note 7.

Geographic concentration

Region	000's			
	2014		2013	
	Performing	Impaired	Performing	Impaired
	\$	\$	\$	\$
South Slave	16,769	2,759	17,201	3,016
North Slave	7,118	3,918	7,613	4,080
Dehcho	6,480	288	6,610	336
Inuvik	1,965	478	2,141	482
Sahtu	2,162	509	1,684	604
	34,494	7,952	35,249	8,518

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

5. Loans receivable (continued)

The following table illustrates performing loans outstanding classified by the Corporation's credit risk rating system:

Credit risk rating	000's	
	2014	2013
	\$	\$
Low	22,963	24,470
Medium	9,140	8,335
High	2,391	2,444
	34,494	35,249

The Corporation considers a loan past due when a client has not made a payment in accordance with the payment terms. The following table presents the carrying value of loans that are past due but not classified as impaired because they did not meet the criteria of impairment:

Loans past due but not impaired	000's	
	2014	2013
	\$	\$
31 – 60 days	225	40
61 – 90 days	172	-
Over 90 days	82	-
	479	40

The risk exposure relating to loans is directly impacted by the clients' ability to meet their obligations. Among other factors, this ability is impacted by the clients' exposure to fluctuations in the economy of the Northwest Territories. To mitigate this risk, the Corporation limits the concentration of loans with any individual client. Under its regulations, the maximum the Corporation can lend to or invest in any one business enterprise or group of related enterprises is \$2 million. Amounts greater than \$2 million must be approved by the FMB. There were no loans approved by the FMB in 2014 (2013: nil).

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

6. Allowance for credit losses

	000's	
	2014	2013
	\$	\$
Balance, beginning of year	6,429	6,432
Provision for credit losses	564	317
Recoveries from repayments	(594)	(320)
Balance, end of year	6,399	6,429
Comprised of:		
Specific allowance	5,709	5,724
General allowance	690	705
	6,399	6,429

7. Venture investments

The Corporation's portfolio of venture investments is focused on providing financing in the form of preferred shares and debt to companies in the Northwest Territories. As at March 31, 2014, the Corporation does not have significant influence in the companies in which it has invested.

	000's	
	2014	2013
	\$	\$
Balance, beginning of year	78	91
Recoveries	-	114
Redemptions	(12)	(127)
Balance, end of year	66	78

The total cumulative venture investments at March 31, 2014 was \$1,470,000 (2013: \$1,482,000) with accumulated write-downs of \$1,404,000 (2013: \$1,404,000).

Preferred shares and dividends

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances. Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Investment yields vary from year to year due to the amount and timing of the dividends received.

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

8. Post-employment benefits**(a) Pension benefits**

Substantially all of the employees of the Corporation are covered by the Plan (Note 2(j)(i)). Contributions are required by both the employees and the Corporation. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The required employer contribution rate is dependent on the employee's employment start date. For employment start dates before January 1, 2013, the Corporation's contribution rate effective at year-end was 2.2 times (2013 – 2.2) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.5 times (2013 – nil) the employee's contribution. Total contributions of \$343 (2013 - \$365) were recognized as an expense in the current year. The Corporation's and employees' contributions to the Plan for the year were as follows:

	000's	
	2014	2013
	\$	\$
Corporation's contributions	235	249
Employees' contributions	108	116

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada Pension Plan and they are indexed to the increase in the Consumer Price Index.

(b) Termination and removal benefits

The Corporation provides termination benefits to employees based on years of service and final salary (Note 2(j)(ii)). The Corporation also provides removal assistance to employees, as provided under labour contracts. This benefit plan is pre-funded from current contributions and recognized as part of cash.

	000's	
	2014	2013
	\$	\$
Post-employment benefits, beginning of year	419	405
Retirement and transfer out	(53)	-
Cost and transfer in	52	14
Post-employment benefits, end of year	418	419

9. Advances from the Government

The Act authorizes the Corporation to borrow, for the purpose of providing financial assistance to or making investments in business enterprises, up to \$150 million from the Government through advances. Increases to the outstanding balance of the advances must be approved by the FMB based on the needs of the Corporation. The balance was not to exceed \$45 million (2013: \$45 million) as at March 31, 2014.

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

9. Advances from the Government (continued)

Interest on the advances is based on the rate set during the last week of each month for the Government of Canada 3-year bonds, compounded annually. The rate varied from 1.0% to 1.4% (2013: 1.0% to 1.5%) during the year.

10. Asset retirement obligations

	000's	
	2014	2013
	\$	\$
Balance, beginning of year	235	100
Decrease due to disposal of tangible capital assets	(222)	(61)
Additions during the year	-	196
Balance, end of year	13	235

The asset retirement obligations relate to the estimated costs of demolition, removal of structures, and site remediation associated with various buildings. No amount has been paid during the year related to the asset retirement obligations.

11. Sale of Nahanni Butte General Store Ltd.

Effective September 27, 2013, the Corporation sold its common and preferred shares in the Nahanni Butte General Store Ltd. to the Nahanni Butte Dene Band as represented by Naha Dehé Development Corporation for a nominal value. The gain on the sale has been calculated as follows:

	000's	
	2014	
Total assets	\$	115
Total liabilities		(284)
Net deficit		(169)
Proceeds on sale		-
Gain on sale	\$	169

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

12. Government transfers

	000's					
	Lending	2014 Retail/ Manufac- turing	Total	Lending	2013 Retail/ Manufac- turing	Total
	\$	\$	\$	\$	\$	\$
Government:						
Operations and maintenance	2,263	837	3,100	2,326	1,199	3,525
Services received without charge (Note 17)	708	-	708	879	100	979
	2,971	837	3,808	3,205	1,299	4,504
Federal programs	97	-	97	175	-	175
	3,068	837	3,905	3,380	1,299	4,679

During the current fiscal year the Corporation had surplus funding of \$669,000 (2013: \$303,000). A stipulation included in the agreement is for any unspent funds to be repaid to the Government. This amount has been recognized in accounts payable and accrued liabilities at year end. The amount will be repaid through a reduction of next year's contribution.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2014

13. Expenses by object

	000's					
	Lending	2014 Retail/ Manu- factur- ing	Total	Lending	2013 Retail/ Manu- factur- ing	Total
	\$	\$	\$	\$	\$	\$
Accretion, asset retirement (Note 10)	-	-	-	(61)	196	135
Advertising and promotion	29	11	40	20	16	36
Amortization	6	128	134	-	127	127
Bad debts (recovery)	(2)	1	(1)	(1)	1	-
Bank charges and interest	2	23	25	2	21	23
Board members	30	1	31	44	2	46
Business Development Fund	207	-	207	242	-	242
Business Service Centre	264	-	264	97	-	97
Computers and communications	91	19	110	86	21	107
Cost of goods sold	-	641	641	-	855	855
Flood expense	-	-	-	-	352	352
Harvest site clean-up	-	120	120	-	25	25
Insurance	-	17	17	-	-	-
Interest expense on advances from the Government	356	-	356	374	-	374
Loss on disposal of tangible capital assets	-	-	-	-	12	12
Office and general	41	61	102	37	52	89
Professional services	70	93	163	225	95	320
Recovery for environmental liability	-	-	-	-	(17)	(17)
Recovery of credit losses, net	(30)	-	(30)	(3)	-	(3)
Rent	188	29	217	201	31	232
Salaries and benefits	2,174	222	2,396	2,518	479	2,997
Supplies	-	4	4	-	37	37
Training and workshops	26	-	26	33	-	33
Travel	71	48	119	94	90	184
Utilities	-	148	148	-	134	134
Write-down of tangible capital assets	-	-	-	-	11	11
	3,523	1,566	5,089	3,908	2,540	6,448

14. Commitments

As at March 31, 2014, loans to businesses, approved but not yet disbursed, totalled \$2.2 million at a weighted average interest rate of 4.9% (2013: \$1.8 million at a weighted average interest rate of 4.3%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2014, contributions to businesses approved but not yet disbursed totalled \$84,000 (2013: \$10,000).

15. Contingencies**Loans**

The Corporation has five outstanding loans to three Northern Community Futures organizations for their own lending purposes totalling \$1,125,000 (2013: five outstanding loans totalling \$1,000,000). Loans provided by these three organizations may be assigned to the Corporation when impaired. If assigned, the Corporation would then write off the Northern Community Futures organization loan balance and would attempt to recuperate its loss directly from the borrowers. In 2014, no accounts were assigned to the Corporation (2013: nil).

Letters of credit

The Corporation has six outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled \$2,485,000 (2013: \$2,450,000) and expire in 2014. Payment by the Corporation is due from these letters in the event that the applicants are in default of the underlying debt. To the extent that the Corporation has to pay out to third parties as a result of these agreements, these payments will be owed to the Corporation by the applicants. Each letter of credit is secured by promissory note, general security agreement, guarantee or collateral mortgage. During the year, no payments were made (2013: nil).

16. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, territorial corporations and public agencies. The Corporation enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises except that certain services are provided without charge (Note 17).

Northwest Territories Business Development and Investment Corporation**Notes to the Consolidated Financial Statements**
March 31, 2014

16. Related party transactions (continued)

Transactions with related parties during the year and balances at year end are as follows:

	000's	
	2014	2013
	\$	\$
Revenues		
Sales	6	8
Government transfers (Note 12)	3,808	4,504
Expenses		
Purchases	179	147
Interest on advances from the Government	356	374
Balances at year end		
Accounts receivable	6	26
Accounts payable and accrued liabilities	741	549
Advances from the Government	28,015	30,372

17. Services received without charge

The Corporation records the estimated cost of services provided by the Government without charge. Services received without charge from the Government include regional and human resource services and office accommodation. The estimated cost of such services is as follows:

	000's	
	2014	2013
	\$	\$
Staff support	475	762
Accommodation	233	217
	708	979

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2014

18. Budgeted figures

Budgeted figures have been derived from the budgets approved by the FMB and the Corporation's Board of Directors. The budget figures for the Corporation's organizations have been approved by the Corporation's senior management.

The 2014 and 2013 budgeted expenses are as follows:

	000's					
	2014			2013		
	Lending	Retail/ Manu- factur- ing	Total	Lending	Retail/ Manu- factur- ing	Total
	\$	\$	\$	\$	\$	\$
Accretion, asset retirement	-	-	-	5	2	7
Advertising and promotion	40	31	71	50	29	79
Amortization	5	132	137	5	140	145
Bad debts	-	4	4	-	5	5
Bank charges and interest	-	23	23	-	24	24
Board members	50	2	52	58	5	63
Business Development Fund	250	-	250	300	-	300
Business Service Centre	97	-	97	97	-	97
Computers and communications	100	20	120	100	23	123
Cost of goods sold	-	575	575	-	898	898
Freight and courier	-	5	5	-	20	20
Harvest site clean-up	-	150	150	-	15	15
Insurance and licenses	-	18	18	-	-	-
Interest expense	360	-	360	475	-	475
Office and general	50	42	92	60	43	103
Professional services	109	94	203	100	108	208
Provision for credit losses, net	300	-	300	500	-	500
Rent	240	35	275	240	18	258
Repairs and maintenance	-	31	31	-	26	26
Salaries and benefits	2,780	330	3,110	2,810	625	3,435
Supplies	-	3	3	-	50	50
Travel and vehicles	125	55	180	100	120	220
Utilities	-	130	130	-	144	144
	4,506	1,680	6,186	4,900	2,295	7,195

19. Risk Management

The Corporation is exposed to the following risks as a result of holding financial instruments:

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 meet its obligations.

The risk associated with cash is minimized substantially by ensuring that these financial assets are placed with well-capitalized financial institutions.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements March 31, 2014

19. Risk Management (continued)

Credit granting and loan management are based on established credit policies. The maximum exposure to credit risk from borrowers and investees is limited to the carrying amount of the loans and investments. The Corporation's management of credit exposures from borrowers and investees includes:

- a standardized credit risk rating classification system established for all loans;
- credit policies and directives, communicated to lending officers whose activities and responsibilities include credit granting and monitoring client performance;
- independent review of loan applications in excess of \$1 million; and,
- limiting the concentration of loans and investments with any one business enterprise or group of related enterprises to \$2 million. Amounts greater than \$2 million must be approved by the FMB.

The principal collateral held as security and other credit enhancements for loans include: (i) real estate; (ii) equipment; (iii) corporate and personal guarantees; and (iv) assignment of leases.

As at March 31, 2014, \$410,000 (2013: \$596,000) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrowers' commitments. There were no significant changes to the Corporation's credit risk management policies and practices from the prior year.

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2014:

	000's	
	2014	2013
Cash	\$ 14,958	\$ 13,931
Accounts receivable	163	169
Loans receivable	36,216	37,511
Venture investments	66	78
Letters of credit	2,485	2,450

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the future cash flows of the advances from the Government, fluctuations in the fair value and future cash flows of loans receivable, and interest revenue from cash.

The Corporation's borrowing from the Government is based on a variable market rate and it lends to the majority of its clients at fixed term rates. The Corporation's interest rate margin or spread widens when interest rates fall and it narrows when interest rates rise.

The Corporation manages its interest rate risk by paying down the advances from the Government with excess cash available from the Loans and Bonds fund.

19. Risk Management (continued)

Based on the Corporation's advances from the Government as at March 31, 2014 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease net income by \$144,000 (2013: \$178,000). A 100 basis point decrease in interest rates would increase net income by the same amounts.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Corporation manages its liquidity risk by regularly monitoring forecasted and actual cash flows.

The advances from the Government are due on demand with no fixed repayment terms. Repayment on advances is made whenever the Corporation has sufficient cash on hand which is not earmarked for lending purposes.

20. Subsequent events

In June 2014, the Legislative Assembly approved the write-off of two loans receivable totalling \$199,000 and two venture investments totalling \$700,000. The Legislative Assembly also approved the forgiveness of five loans receivable totalling \$422,000. The venture investments have been fully written-down (Note 7). The loans receivable are included in the impaired loan balance and have an offsetting amount in the allowance for credit losses (Note 5).

21. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Northwest Territories Business Development and Investment Corporation

Consolidated Schedule of Tangible Capital Assets

	Schedule A						000's	
							March 31,	March 31,
	Land	Buildings	Equipment	Leasehold Improve- ments	Computer Equipment	Vehicles	2014	2013
Cost of tangible capital assets, opening	\$ 82	\$ 2,957	\$ 837	\$ 449	\$ 30	\$ 18	\$ 4,373	\$ 5,540
Acquisitions	-	-	25	-	-	-	25	12
Disposals	-	(646)	(126)	-	-	(18)	(790)	(1,179)
Cost of tangible capital assets, closing	82	2,311	736	449	30	-	3,608	4,373
Accumulated amortization, opening	-	2,759	768	332	30	18	3,907	4,935
Amortization expense	-	16	40	78	-	-	134	127
Disposals	-	(646)	(126)	-	-	(18)	(790)	(1,166)
Write-down of tangible capital assets	-	-	-	-	-	-	-	11
Accumulated amortization, closing	-	2,129	682	410	30	-	3,251	3,907
Net book value	82	182	54	39	-	-	357	466