



**2010/11**

*ANNUAL REPORT*



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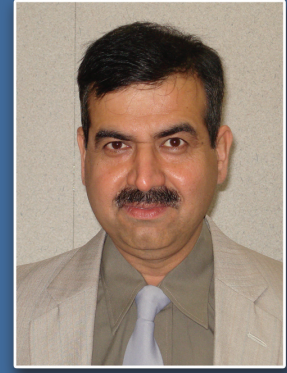


# Message from the Chairperson and Chief Executive Officer

*We understand that building a sustainable economy for the NWT means economic development of all our communities. We are focused on funding best processes, tools and programs to help small and medium sized business in the Northwest Territories.*



**Darrell Beaulieu**  
Chairperson



**Pawan Chugh**  
Chief Executive Officer

At the BDIC, we've come a long way in deepening our understanding of economic development. Just as importantly, we've worked hard to develop and introduce some new products that provide flexibility to small and medium sized businesses in the Northwest Territories.

In 2010-11, once again, we exceeded our performance over the last year, issuing 20% more loans. With our Ministers' continued commitment to community investment, we have succeeded in the creation of a new subsidiary company. In terms of Northern job creation we have created and maintained 43.25 direct and indirect jobs in NWT communities.

Under the direction of the BDIC Board of Directors in 2010/2011 the BDIC began to aggressively promote and market its subsidiary's products. To do that the BDIC:

- Created an online ecommerce store that sells and markets subsidiary products around the world.
- Started initial ground work with the Canadian Trade Commissioner Service to get into international global markets for promotion and sales of subsidiary products.

The BDIC's other key achievements in 2010/2011 include:

- Hosting the semi-annual Northern Economic Development Practitioners conference in Dettah.
- Solidifying a partnership with Aurora College to provide business related education for Northerners.
- Publishing *How to start a business in the NWT* - a guide for people wanting to start a business in the North

Creating a sustainable economy isn't the easiest path to follow given the state of economics around the world. But for the BDIC, it is the only path that makes sense. We have the right people, dedicated Board members, motivated staff, a clear mindset and a set vision, which we are utilizing to deliver our programs responsibly and efficiently.

The BDIC will continue to focus on the growth of its loan portfolio for small to medium-sized businesses, investment in subsidiaries, and researching for development methods to build the capacity of small and medium-sized businesses in the territory.

We, along with the Board, thank the Minister responsible for the BDIC, the Honourable Bob McLeod and all of our staff for supporting and working on our economic development programs. Together, we will ensure that the economy in the Northwest Territories remains strong.

# Corporate Governance and Management

## Our Mandate

*To support the economic objectives of the Government of the Northwest Territories in a manner that benefits the people and the economy of the Northwest Territories by encouraging the creation and development of business enterprises; providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing; directly investing in business enterprises; and providing information to business enterprises and members of the public respecting the establishment and operation of businesses, and other business matters.*

*(BDIC Act)*

## Vision

The BDIC is a recognized leader in the NWT's regional economic development, promoting the growth of a dynamic small and mid-sized business sector.

## Mission

We are business people working for other business people - providing across all NWT communities access to business financing, business support services and business development assistance.

We proactively bring stakeholders together to enhance business capacity, sustain self-sufficiency and increase community prosperity.

The BDIC's vision and mission emphasize the importance of business development in the creation of long-term prosperity for the NWT. The vision and mission also recognize that a sustainable economy is based on Northerners' capacity to establish

and maintain successful businesses, allowing them to be self-reliant and to participate fully in the economic and social life of the NWT.

# The BDIC's Board

The BDIC's Board of Directors are appointed by the Minister responsible for the BDIC. The Board oversees the BDIC's affairs, takes into account sustainable development and capacity building when making decisions, acts in accordance with ministerial directives, and establishes operational policies for its programs.

The Board has two committees:

- *Audit Committee* - assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the performance process and the BDIC's process of monitoring compliance with laws, governing acts, regulations and directives and the code of conduct.
- *Appeals Committee* - reviews appeals on financial program applications rejected by the Application Review Committee or the Chief Executive Officer.

## BDIC BOARD OF DIRECTORS

Darrell Beaulieu - Chairperson	N'dilo
Joanne Deneron - Director	Fort Liard
Charlie Furlong - Director	Aklavik
Ruby Landry - Director	Kakisa
Gwen Robak - Director	Hay River
Denny Rodgers - Director	Inuvik
Andy Wong - Director	Yellowknife
Warren Wright - Director	Norman Wells
Denise Yuhas - Vice Chairperson	Fort Smith

## DIRECTORS MEETINGS ATTENDED

Darrell Beaulieu	5/5
Joanne Deneron	5/5
Charlie Furlong	1/2
Ruby Landry	1/1
Gwen Robak	2/5
Denny Rodgers	1/5
Andy Wong	4/5
Warren Wright	4/5
Denise Yuhas	5/5

## AUDIT COMMITTEE

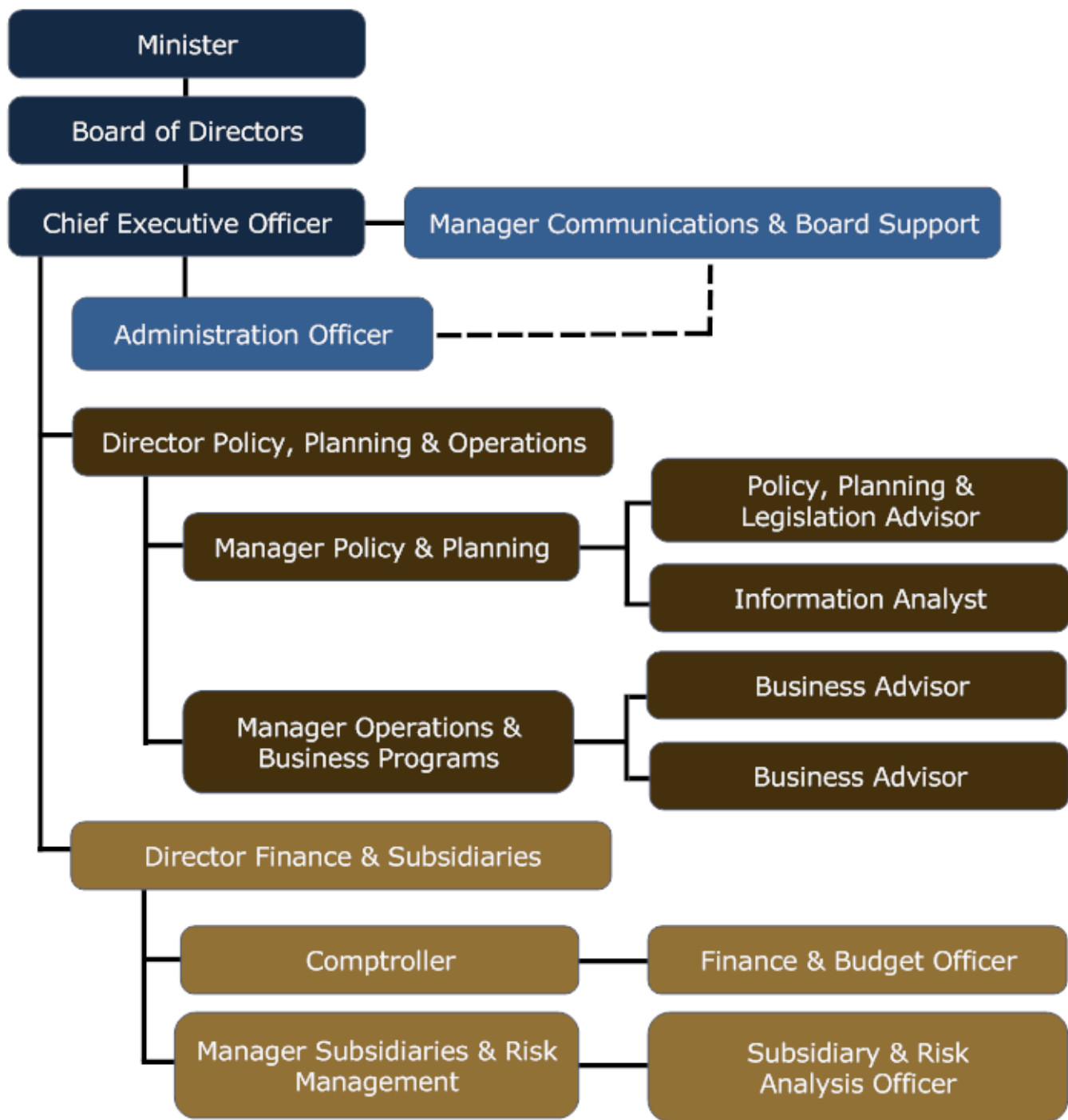
Denise Yuhas, Chairperson
Joanne Deneron, Vice Chairperson
Rhona Stanislaus CGA, Member at Large
Louise Lavoie, Member representing GNWT Department of Finance

## APPEALS COMMITTEE

BDIC Board Chairperson or Vice Chairperson
Any other two Board members

# Organizational Chart

As of March 31, 2011





# Partnerships

The BDIC works with regional business corporations and other partners to identify, improve, and expand economic development in the NWT.

## BDIC and NWT Chamber of Commerce Memorandum of Understanding

The general intent of the parties is to carry out mutually agreed activities to promote business attraction, development and retention for creating, maintaining and fostering employment and economic activities in the NWT.

## BDIC and Aurora College Memorandum of Understanding

The general intent of the parties is delivery of mutually agreed courses in different business related programs at Aurora College, with a focus to improve knowledge and skills of business and economic development program students, and professional development of the BDIC staff.

## BDIC and The Sahtu Business Development Centre Memorandum of Agreement

The purpose of this Agreement is to provide for joint client transactions in order to enhance the financing options offered to clients.



“Partnering to foster business growth in the Northwest Territories.”

# Programs & Activities

The BDIC offers financial programs and business services to NWT businesses. They are delivered at BDIC Headquarters in Yellowknife and through the Department of Industry Tourism and Investment regional delivery agents across the NWT.

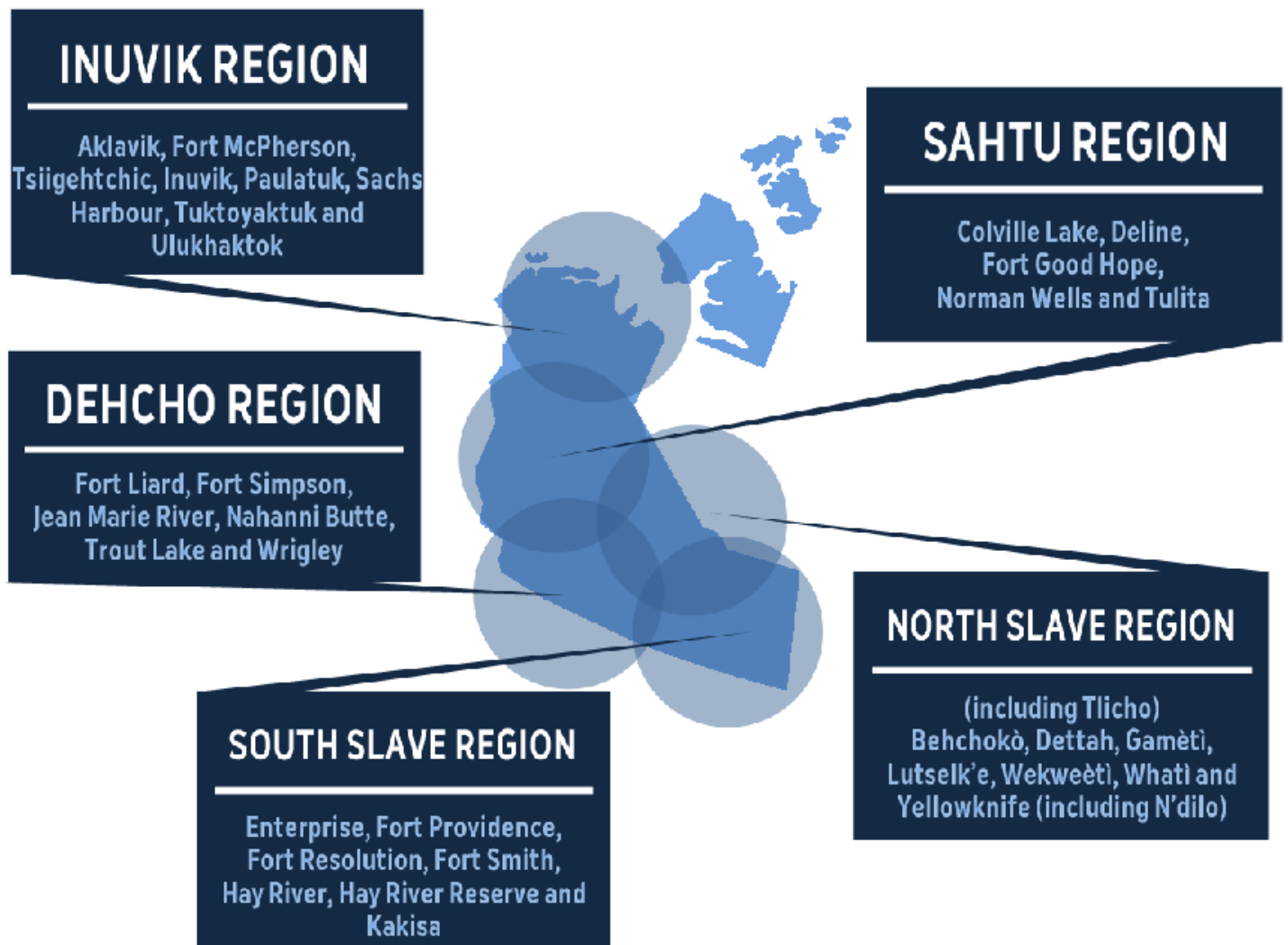
The BDIC also provides support to Community Futures Development Corporations (CFDCs) in the NWT and, along with federal and territorial partner organizations, organizes multi-stakeholder events supporting economic development.

## Financial Programs

### *Credit Facilities Program*

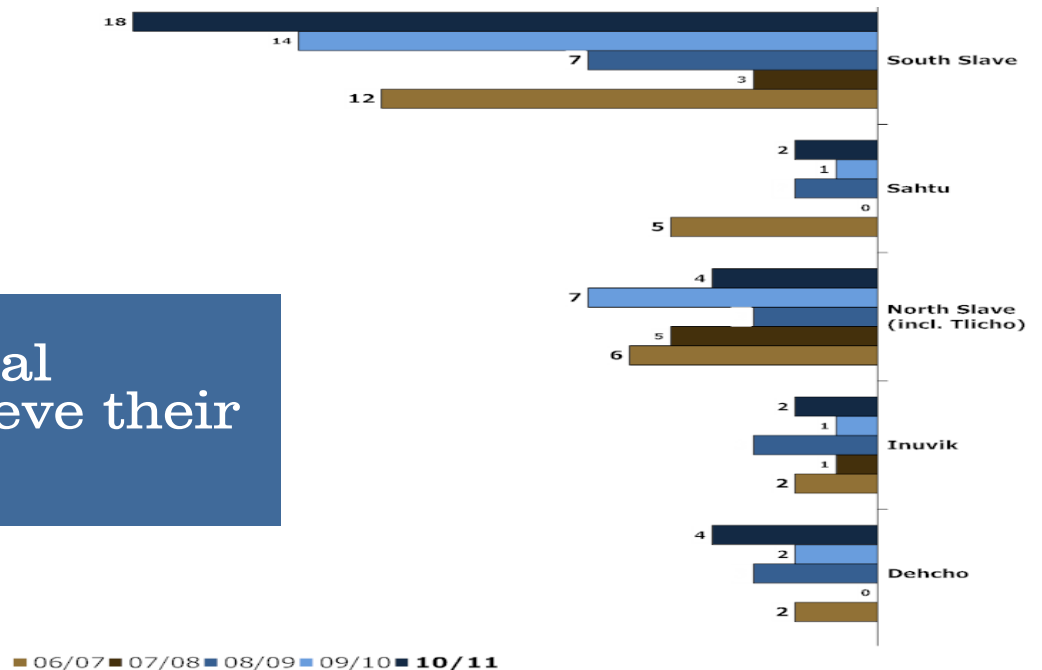
The BDIC lends to northern businesses where conventional lending institutions are not prepared to lend and to businesses in communities where a commercial bank is not operating. The terms can be flexible to meet the needs of individual clients. The BDIC also provides Standby Letters of Credit for contract bids and performance security or to guarantee payment for goods and services from a supplier.





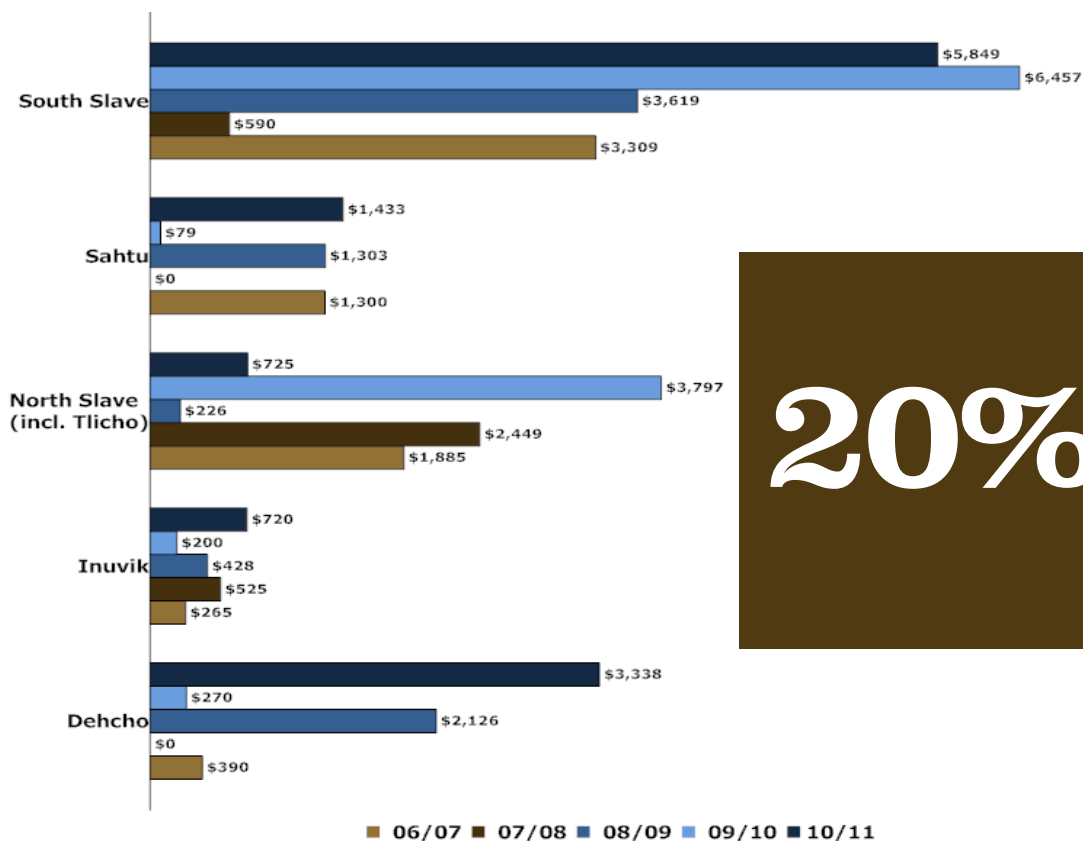
# 2010-2011 Highlights

**Number of Approved Credit Facilities by Region**  
(2006/2007 - 2010-2011)



“Helping regional businesses achieve their goals.”

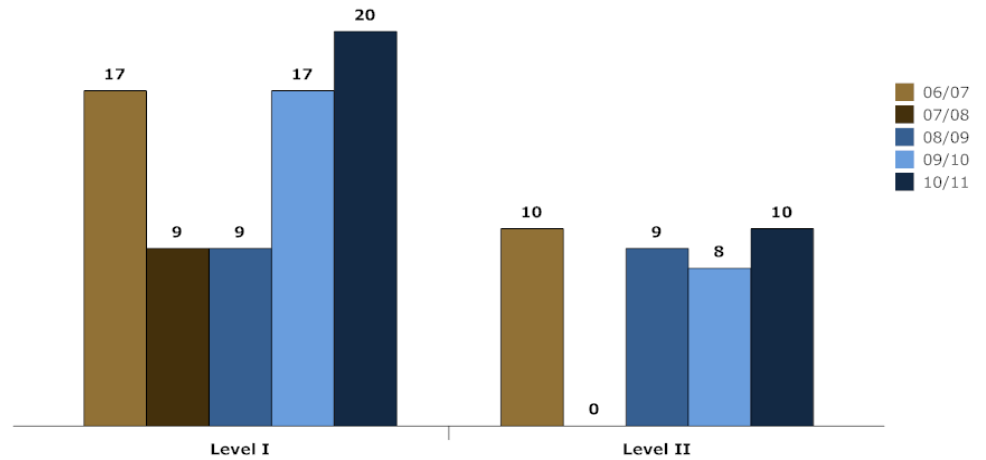
**Value of Approved Credit Facilities by Region**  
(2006/2007 - 2010-2011) (\$000)



**Increase  
in Number  
of Loans  
Approved  
Year over  
Year**

**20%**

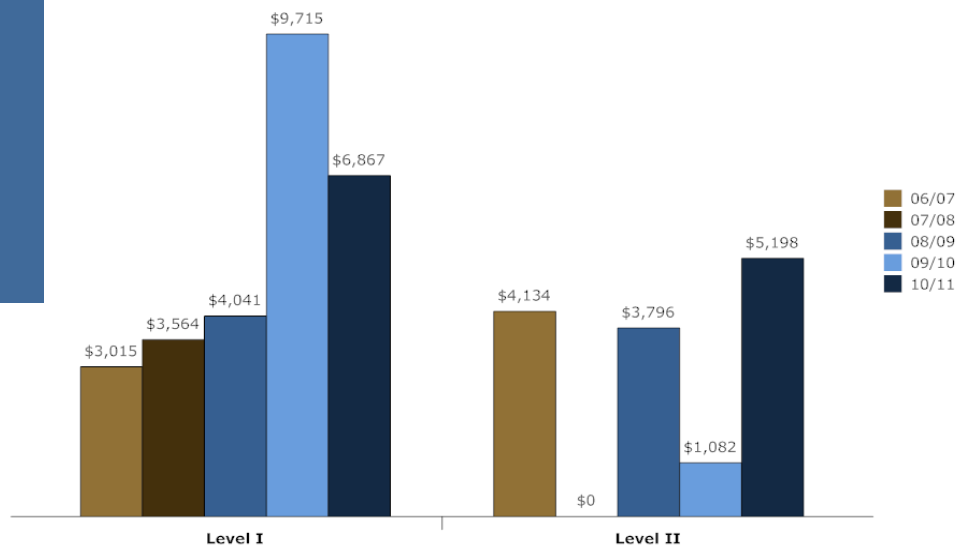
# **Number of Approved Credit Facilities by Community Level** (2006/2007 - 2010-2011)



**43%**

**Percent of  
Approved  
Loans were  
distributed  
in Level II  
Communities**

# **Amount of Approved Credit Facilities by Community Level** (2006/2007 - 2010-2011)



# Subsidiary Program

The BDIC owns seven subsidiary companies.

All but one of its subsidiaries are located in Level II communities. There are BDIC subsidiaries in the Dehcho, Inuvik, North Slave and South Slave regions of the NWT.

The BDIC provides its subsidiaries with funds for operations, new facilities and equipment so that they can create and/or maintain employment in their community. Where necessary, the BDIC also provides a range of support services to its subsidiaries, including accounting, marketing, ecommerce and general operational support. Several BDIC subsidiaries promote traditional fine arts and craft activities and the use of traditional materials, which helps further support the local economy.

The BDIC's subsidiaries are governed by a Boards of Directors. Subsidiaries' Board of Directors are chosen from the community, BDIC Board members and BDIC staff.



## Subsidiary Board of Directors

INVESTMENT	YEAR OF INCORPORATION	2010/2011 BOARD OF DIRECTORS
5983 NWT Ltd. (Ulukhaktok Arts Centre)	2008	Louie Nigiyok Pawan Chugh Warren Wright
Aklavik & Tuktoyaktuk Furs Ltd.	1997	Pawan Chugh
Arctic Canada Trading Co. Ltd.	1997	Denise Yuhas Pawan Chugh
Dene Fur Clouds Ltd.	1997	Denise Yuhas Gwen Robak Leonard Kwong Pawan Chugh
Acho Dene Native Crafts Ltd.	1992	Denise Yuhas Joanne Deneron Pawan Chugh
Nahanni Butte General Store Ltd.	1992	Denise Yuhas Joanne Deneron Pawan Chugh
913044 NWT Ltd. (Fort McPherson Tent & Canvas Shop)	1991	Bill Prodromidis David Cook Leonard Kwong Pawan Chugh Warren Wright

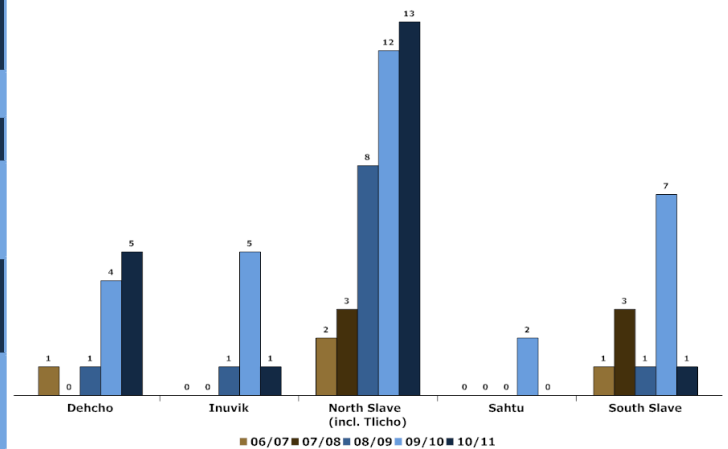


# Contribution Programs

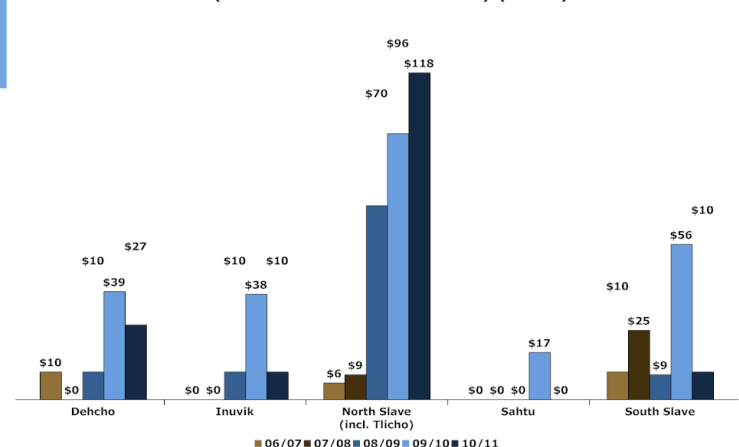
The BDIC provides financial assistance to northern businesses for feasibility assessments, development of new products, preparation of marketing and/or business plans and pilot projects.

In 2010/2011, the BDIC received 31 applications for contributions with a total value of \$270,280, compared to 49 applications received in 2009/2010 with a total value of \$415,250. A total of 20 applications were approved with a total value of \$165,579, compared to 30 approvals in 2009/2010 with a total value of \$245,590.

**Number of Approved Contributions by Region**  
(2006/2007 - 2010-2011)



**Value of Approved Contributions by Region**  
(2006/2007 - 2010-2011) (\$000)



Venture Investment	Community
175119 Canada Inc. (o/a NWT Marine)	Yellowknife
5352 NWT Ltd. (o/a Snare Lake Ldgo)	Wekweëti
Enodah Wilderness Travel Ltd.	Yellowknife
Holman Eskimo Co-operative	Ulukhaktok
Kunnek Resource Development Corporation	Inuvik
North Nahanni Naturalist Lodge Ltd.	Fort Simpson
Paulette & Clarke Renovations Ltd.	Fort Smith
Tri-Vanguard Ka'nages Pictures Ltd.	Yellowknife
Two Rivers Development Corporation	Tulita



## Written-Off and Forgiven Accounts

Accounts that are written-off can still be collected but are assigned zero value in the BDIC's financial statements. The BDIC Board may approve the write-off of an account under \$20,000. Writeoffs over \$20,000 can only be approved by the Legislative Assembly of the NWT.

When an account is forgiven, it has zero value in the BDIC's financial statements and the BDIC can no longer collect the amount owing. Accounts under \$1,000 may be approved for forgiveness by the Financial Management Board (FMB). Accounts over \$1,000 can only be approved for forgiveness by the Legislative Assembly of the NWT.

*In 2010/2011, there were no written-off or forgiven accounts associated with the BDIC.*



## Business Services

*The BDIC offers information to support potential clients and provides aftercare to existing clients.*

These services are available through Canada Business NWT (CBNWT), which is operated in partnership with Industry Canada.

CBNWT provides the public a wide range of information on small business programs, services and applicable laws. Its mission is to contribute to economic growth by ensuring that business people in every part of the NWT have access to accurate, timely and relevant business information through a convenient single window.

CBNWT publications and other information sources are available to all northern communities through its website (<http://www.canadabusiness.ca>). CBNWT access points have also been established in the following NWT communities through local Community Futures

Community Futures Development Corporations:

- The Dehcho Business Development Centre in Fort Simpson
- Thebacha Business Development Services Inc. in Fort Smith
- The Southwest Territorial Business Development Corporation in Hay River
- Western Arctic Business Development Services in Inuvik
- The Sahtu Business Development Centre in Norman Wells
- The Dogrib Area Community Futures in Whatì

In 2010/2011, CBNWT published an updated version of “How to Start a Business in the NWT” a booklet that gives prospective entrepreneurs the information they need to start a business in the North.

A 1-800 number is also available for clients around the NWT to call toll-free and be directed to provincial and territorial specific business advice and information.

During the year, CBNWT responded to a total of 351 inquiries received by telephone, email, and in-person visits. CBNWT also offered 27 video conference events on topics such as Ecommerce, Understanding Your Business Financial Statements, and Business Planning, Tax Tips and Financing for Aboriginal Entrepreneurs.

## Community Futures Development Corporations

CFDCs support community economic development and diversification and the creation and maintenance of small and medium sized businesses. The BDIC provides support to CFDCs in the NWT by coordinating partnerships and capacity-building events and by lending them loan capital to supplement their capital reserves.

In 2010/2011, the Akaitcho Business Development Corporation (N’dilo) and Thebacha Business Development Services Inc. (Fort Smith) had loan capital arrangements with the BDIC.

# Job Creation or Maintenance

In 2010/2011, the BDIC's venture investments and subsidiaries created or maintained 37.25 direct jobs and 6 indirect jobs, for a total of 43.25 full-time equivalent jobs.

Indirect jobs are calculated using the NWT Bureau of Statistics Input Output Model, which measures employment contribution. Direct and indirect jobs for venture investments are aggregated so as not to compromise their operations

INVESTMENT	DIRECT JOBS	INDIRECT JOBS
5983 NWT Ltd. (Ulukhaktok Arts Centre)	2.00	
Acho Dene Native Crafts Ltd.	2.25	
Dene Fur Clouds Ltd.	4.25	
913044 NWT Ltd. Fort McPherson Tent & Canvas Shop	4.25	
Nahanni Butte General Store Ltd.	3.50	2
Venture Investments	21.00	4
<b>Total jobs created or maintained</b>	<b>37.25</b>	<b>6</b>

# Disbursements

The BDIC disbursed funds to the following NWT businesses during the 2010/2011 fiscal year.

Name of Business	Owners	Community	Financial Program	Total Amount Disbursed
4498828 Canada Inc (o/a Wolverine Air (1988) Ltd.)	Harvey, Jacques Martel, Laverna	Fort Simpson	Credit	1,600,000.00
4928 NWT Ltd. (o/a Poison Painting)	Schumann, Wally	Hay River	Credit	118,120.00
4928 NWT Ltd. (o/a Poison Painting)	Schumann, Wally	Hay River	Credit	21,000.00
5510 NWT Ltd. (o/a Kozy Carpets and Interiors (2003))	Greer, Darcy Aplegarth, Lorenda	Fort Smith	Credit	377,100.00
5983 NWT Ltd. (o/a Ulukhaktok Arts Centre)	NWT BDIC	Ulukhaktok	Subsidy	230,000.00
6030009 Canada Inc. (o/a Surly Bob's Sports Bar)	Denny, Lyle Ross, Robert	Yellowknife	Credit	50,000.00
913044 NWT Ltd. (o/a Fort McPherson Tent & Canvas Shop)	NWT BDIC	Fort McPherson	Subsidy	70,000.00
994486 N.W.T. Limited (o/a Chef Perre's Catering)	Lepage, Pierre	Yellowknife	Credit	100,000.00
Acho Dene Native Crafts	NWT BDIC	Fort Liard	Subsidy	125,000.00
Akaitcho Business Development and Investment Corporation	Members	Yellowknife	Credit	110,000.00
AMD Promotions	Debogorski, Alex Debogorski, Curtis	Yellowknife	Contribution	9,990.52
Arctic Canada Trading Company Ltd.	NWT BDIC	Yellowknife	Subsidy	50,000.00
Ashoona, Joe	Ashoona, Joe	Yellowknife	Contribution	10,000.00
Aurora Technologies Limited	McCauley, Todd	Norman Wells	Credit	230,000.00
Baroryee, Jolly	Baroryee, Jolly	Yellowknife	Contribution	3,229.70

# Disbursements

Beaulieu, Leonard Jr.	Beaulieu, Leonard Jr.	Fort Resolution	Contribution	9,965.94
Benoit-Cardinal, Jamie	Benoit-Cardinal, Jamie	Tsiigehtchic	Contribution	2,975.88
Buckley, Rodger	Buckley, Rodger	Yellowknife	Contribution	9,000.00
Bulckaert, Jason (o/a Collective 9)	Bulckaert, Jason	Yellowknife	Contribution	8,562.31
Concept Energy Services	Simpson, Pierre (Rocky)	Hay River	Credit	2,000,000.00
Corneille, Peter	Corneille, Peter	Fort Simpson	Contribution	3,396.00
Dene Fur Clouds	NWT BDIC	Fort Providence	Subsidy	300,000.00
DeWolf, Christine (o/a DeWolf Artworks)	Dewolf, Christine	Fort Smith	Contribution	2,736.97
Digaa Enterprises Ltd.	Deh Gah Hotie Nation Ft. Providence Metis	Fort Providence	Credit	163,000.00
Dobbin's Darren (o/a Dobbin Const	Dobbin, Darren	Yellowknife	Credit	200,000.00
Downes, Cathy (o/a Parties-to-Go)	Downes, Cathy	Yellowknife	Contribution	7,686.58
Frosty's Arctic Pub and Apartment Hotel Ltd.	Adams, Richard	Inuvik	Credit	675,000.00
Giroux, David William (o/a Arctic Firewood &...	Giroux, David William	Dettah	Contribution	10,000.00
Harris Alana (o/a Atlantis Eats)	Harris, Alana	Hay River	Credit	65,000.00
Hollett, Karen (o/a Hooray Publishing)	Hollett, Karen	Yellowknife	Contribution	7,800.00
Jones, Kenneth (o/a Elle Hair Salon)	Jones, Kenneth	Hay River	Credit	20,000.00
Kasteel, Tanya	Kasteel, Tanya	Yellowknife	Contribution	7,350.00
Kasteel, Tanya	Kasteel, Tanya	Yellowknife	Contribution	2,650.00
Les Norn Contracting	Les, Norn	Hay River Reserve	Credit	198,000.00
Loon Air Inc.	Bourque, Ivan	Fort Smith	Credit	131,500.00

# Disbursements

McKeena Funeral Services Ltd.	McKeena, Janice	Yellowknife	Contribution	10,000.00
Murdoch, Rebecca	Murdoch, Rebecca	Trout Lake	Contribution	7,048.51
Nahanni Butte General Store Ltd.	NWT BDIC	Nahanni	Subsidy	125,000.00
Nogha Enterprises Ltd.	Liidlil Ku'e First N,	Fort Simpson	Credit	155,000.00
Norseman Canadian Industries Ltd.	Fuglsang, Graham and Sian, Don	Yellowknife	Contribution	10,000.00
Northern School of Driver Training	Cayen, Charles	Hay River	Credit	79,500.00
Northridge Contracting Ltd.	Audet, Carmen Audet, Pascal Audet, Rejean	Norman Wells	Credit	1,203,463.00
Northwestern Air Lease Ltd.	Harrold, Terry Harrold, Brian	Fort Smith	Credit	347,000.00
Paul, Eddie (o/a Nextreme)	Paul, Eddie	Yellowknife	Contribution	10,000.00
Poliak, Myrna (o/a Alappaa)	Poliak, Myrna	Yellowknife	Contribution	10,000.00
Punch, Fred	Punch, Fred	Trout Lake	Contribution	6,622.08
Red River Incorporated Band Ltd.		Tsiigehtchic	Contribution	10,000.00
Reidford Gary	Reid, Gary	Paulatuk	Credit	45,000.00
Sibbeston, Randy	Sibbeston, Randy	Yellowknife	Contribution	10,000.00
TDC Contracting Ltd.	Freund, Glen Swanson, Marie	Fort Smith	Credit	120,000.00
Thebacha Business Development Services Inc.	Board	Fort Smith	Credit	65,961.15
Thomas, Kyle W. (o/a WiTH MEDIA)	Thomas, Kyle	Yellowknife	Contribution	5,701.43
Treestone Holdings Ltd.	Popplestone, Terry Coleman-Popplestone, Jolean	Fort Smith	Credit	1,267,000.00
Tsetso, Ernest Sr.	Tsetso, Ernest Sr.	Fort Simpson	Contribution	5,524.00
Tsetso, Florence	Tsetso, Florence	Fort Simpson	Contribution	5,599.00

# Disbursements

Up North Tours	Taylor, Kyle	Inuvik	Contribution	10,000.00
Young, Laurie (o/a Kazoodles Crafts & Framing)	Young, Laurie	Fort Smith	Contribution	4,558.50
Total:				10,442,041.57





# Financial Statements

**Northwest Territories Business Development and Investment Corporation**

**Consolidated Financial Statements**

**For the year ended**

**March 31, 2011**



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## Northwest Territories Business Development and Investment Corporation

### Management's Responsibility for Financial Reporting

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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.

The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles with the exception that the Corporation did not apply Accounting Guideline 15 – *Consolidation of Variable Interest Entities*. The consolidated financial statements also include some amounts, such as the allowance for credit losses and the provision for employee future benefits, which are based on management's best estimates and judgment.

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

September 13, 2011



## 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 and its subsidiaries, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated statement of operations and comprehensive income, consolidated statement of retained earnings 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 generally accepted accounting principles, 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 qualified audit opinion.

### *Basis for Qualified Opinion*

As explained in Note 2 to the consolidated financial statements, the Northwest Territories Business Development and Investment Corporation did not apply Accounting Guideline 15 – *Consolidation of Variable Interest Entities* ("Guideline") as required under Canadian generally accepted accounting principles. This Guideline discusses the application of consolidation principles to certain variable interest entities that are subject to control on a basis other than ownership of voting interests and provides guidance for determining when an enterprise includes the assets, liabilities and results of activities of such an entity in its consolidated financial statements. Accordingly, I was not able to determine whether any adjustments might be necessary to the reported assets, liabilities, revenues and expenses, cash flows, and the related note disclosures to the consolidated financial statements for the years ended 31 March 2011 and 2010.

### *Qualified Opinion*

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Northwest Territories Business Development and Investment Corporation and its subsidiaries as at 31 March 2011, and the results of their operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### **Report on Other Legal and Regulatory Requirements**

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

Further, in my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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.



Terrance DeJong, CA  
Assistant Auditor General  
for the Interim Auditor General of Canada

13 September 2011  
Edmonton, Canada

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**Northwest Territories Business Development and Investment Corporation****Consolidated Financial Statements (March 31, 2011)**

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**Northwest Territories Business Development and Investment Corporation**

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**Consolidated Balance Sheet**

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As at March 31	000's	
	2011	2010
<b>Assets</b>		
Cash (Note 3)	\$ 13,883	\$ 11,070
Accounts receivable	416	679
Inventory (Note 4)	653	705
Prepaid expenses	8	331
	14,960	12,785
Loans receivable, net of allowance for credit losses (Notes 5 and 6)	37,072	34,686
Venture investments (Note 7)	104	110
Property and equipment (Note 8)	409	478
Property held for resale (Note 9)	152	-
Due from the Government (Note 10b)	-	374
	\$ 52,697	\$ 48,433
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 616	\$ 739
	616	739
Advances from the Government (Note 11)	34,765	31,554
Deferred subsidy contributions (Note 12)	663	1,063
Deferred capital contributions (Note 13)	2,068	1,835
Employee future benefits (Note 10b)	378	374
Asset retirement obligations (Note 14)	97	92
	37,971	34,918
<b>Equity</b>		
Contributed surplus	538	538
Retained earnings	13,572	12,238
	14,110	12,776
	\$ 52,697	\$ 48,433

Guarantees, and commitments (Note 20)

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

**Approved by:**

  
Darren Beaulieu  
Chairperson of the Board of Directors

  
Denise Yuhas  
Chairperson of the Audit Committee

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**Northwest Territories Business Development and Investment Corporation****Consolidated Statement of Operations and Comprehensive Income**

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For the year ended March 31	000's	
	2011	2010
<b>Lending and investments</b>		
Income on loans receivable and venture investments		
Interest (Note 5)	\$ 2,521	\$ 3,571
Dividends and other income	36	37
Interest on pooled cash (Note 3)	120	46
	2,677	3,654
Interest expense on advances from the Government	635	532
Cost of interest rate reduction program	-	1,282
Provision for (recovery of) credit losses, net (Note 6)	1,211	(1,461)
(Recovery of) venture investments	(135)	-
Operating and administrative expenses (Note 16)	3,443	3,267
<b>Net (loss) income on lending and investments</b>	<b>(2,477)</b>	<b>34</b>
<b>Retail and manufacturing</b>		
Sales	894	1,003
Cost of goods sold	634	717
Gross margin	260	286
Other income	35	24
Operating and administrative expenses (Note 16)	1,134	1,056
<b>Net loss on retail and manufacturing</b>	<b>(839)</b>	<b>(746)</b>
<b>Net loss from continuing operations before Government contributions</b>	<b>(3,316)</b>	<b>(712)</b>
Net gain on disposal of long-lived assets	-	184
<b>Net loss from operations before Government Contributions</b>	<b>(3,316)</b>	<b>(528)</b>
Government contributions (Note 15)	4,650	4,514
<b>Net income and comprehensive income</b>	<b>\$ 1,334</b>	<b>\$ 3,986</b>

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

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**Northwest Territories Business Development and Investment Corporation****Consolidated Statement of Retained Earnings**

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<b>For the year ended March 31</b>	<b>000's</b>	
	<b>2011</b>	<b>2010</b>
<b>Retained earnings</b>		
Balance, beginning of year	\$ 12,238	\$ 8,252
Net income and comprehensive income	1,334	3,986
<b>Balance, end of year</b>	<b>\$ 13,572</b>	<b>\$ 12,238</b>

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

# Northwest Territories Business Development and Investment Corporation

## Consolidated Statement of Cash Flows

For the year ended March 31	000's	
	2011	2010
<b>Operating activities</b>		
Net income and comprehensive income	\$ 1,334	\$ 3,986
Items not affecting cash		
Amortization of property and equipment	69	53
Amortization of deferred capital contributions (Note 13)	(42)	(316)
Non cash changes on disposal of long-lived assets	-	17
Gain on disposal of long-lived assets	-	(184)
Accretion expense, net of valuation adjustments (Note 14)	5	5
Loans reclassified from impaired to current	5	(1,419)
Provision for (recovery of) credit losses, net	1,211	(1,461)
(Recovery of) loss on interest rate reduction program	(735)	851
Change in non-cash operating working capital (Note 17)	840	198
<b>Cash provided by operating activities</b>	<b>2,687</b>	<b>1,730</b>
<b>Investing activities</b>		
Loans receivable disbursed	(7,017)	(9,899)
Loans receivable repaid	4,051	4,358
Redemptions of venture investments	6	27
Proceeds of disposal of long-lived assets	-	167
Acquisition of property and equipment	-	(377)
<b>Cash used in investing activities</b>	<b>(2,960)</b>	<b>(5,724)</b>
<b>Financing activities</b>		
Advances from the Government	3,500	5,500
Repayment of advances from the Government	(289)	(1,675)
Subsidy contributions received (Note 12)	700	800
Subsidy contributions disbursed (Note 12)	(1,100)	(853)
Capital contributions received (Note 13)	275	110
<b>Cash provided by financing activities</b>	<b>3,086</b>	<b>3,882</b>
<b>Net increase (decrease) in cash</b>	<b>2,813</b>	<b>(112)</b>
Cash, beginning of year	11,070	11,182
<b>Cash, end of year</b>	<b>\$ 13,883</b>	<b>\$ 11,070</b>
<b>Supplemental disclosure of cash flow information</b>		
Amount of interest paid in the year	\$ 656	\$ 550

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



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## Northwest Territories Business Development and Investment Corporation

### Notes to the Consolidated Financial Statements March 31, 2011

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#### 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* (FAA). Accordingly, the Corporation operates in accordance with Part IX of the FAA, the *Northwest Territories Business Development and Investment Corporation 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 contributions 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 contributions requested from the Government for approval by the Financial Management Board (FMB) prior to the commencement of the fiscal year. The contributions 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, subsidiaries based on need, providing contributions for business development projects, and purchasing capital assets for the Corporation. The contributions are not repayable to the Government if not completely spent within the fiscal year in which they were provided.

The Corporation and its subsidiaries are economically dependent upon the contributions 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 such terms and conditions as the Minister of Finance may determine.

##### (d) Taxes

The Corporation and its subsidiaries are exempt from the payment of any municipal, territorial and federal income taxes pursuant to Section 35 of the Act and Section 149 of the *Income Tax Act* of Canada. The Corporation has a reciprocal tax agreement with the Federal Government and is exempt from the Goods and Services Tax (GST). The subsidiaries are not exempt from the GST.

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## Northwest Territories Business Development and Investment Corporation

### Notes to the Consolidated Financial Statements March 31, 2011

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#### 2. Significant accounting policies

The consolidated financial statements of the Corporation were prepared in accordance with Canadian generally accepted accounting principles (GAAP) with the exception that the Corporation did not apply Accounting Guideline 15 - *Consolidation of Variable Interest Entities* to its venture investments and loans receivable portfolios.

The preparation of the consolidated financial statements, in accordance with GAAP, requires the Corporation 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 financial statements and the reported amounts of revenues and expenses during the 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, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant estimates relate to the determination of the allowance for credit losses and the estimate of fair value of the loan portfolio. 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 judgments.

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

##### (a) Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated.

The Corporation controls all of its subsidiaries but does not hold a 100% interest in all of them. The non-controlling interest in the subsidiaries has been reduced by the losses applicable to the non-controlling interest. The excess and any further losses applicable to the non-controlling interest are allocated only to the parent's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the parent's previously absorbed losses are recovered.

These consolidated financial statements include the accounts of the following subsidiaries:

Subsidiary	Location	Percentage Ownership	Incorporation Date
<b>Light manufacturing</b>			
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
<b>Fine arts and souvenirs</b>			
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

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**2. Significant accounting policies (continued)****(a) Basis of consolidation (continued)**

<b>Subsidiary</b>	<b>Location</b>	<b>Percentage Ownership</b>	<b>Incorporation Date</b>
<b>Wholesale/retail stores</b>			
Arctic Canada Trading Co. Ltd.	Yellowknife, NT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NT	51%	October 15, 1992

Aklavik & Tuktoyaktuk Furs Ltd. had a wind up plan approved by the Board in November 2002. In 2004 the company divested itself of its leases and properties in Aklavik and is continuing with asset maintenance pending sale of the building in Tuktoyaktuk.

**(b) 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.

**(c) Inventory**

Inventories consist of raw materials, work-in-process and finished goods. Raw materials and work-in-process are valued at the lower of cost and estimated net realizable value. Finished goods are valued at the lower of cost and estimated net realizable value, with cost being determined on a first in, first out basis.

**(d) Loans receivable**

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. In addition, a loan is also classified as impaired when, payment is three months past due (unless the loan is fully secured), or when payment is six months past due (regardless of whether or not the loan is fully secured).

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

Interest income is recorded 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 recorded as an adjustment to the allowance for credit losses. The loan reverts to accrual 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. Significant accounting policies (continued)****(d) 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.

**(e) 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 realizable value by discounting the expected future cash flows at the effective interest rate inherent in the loan plus the fair value of the underlying security of 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 realizable value.

The general allowance is established 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 realizable values during the current period and is reduced by recoveries and loan write-offs.

**(f) Venture investments**

Venture investments are recorded at cost (as there is no active market), less any write-downs to reflect any 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 declared. When they are received they are deposited to the Venture Investment Fund to be used for additional investments in venture activities.

**2. Significant accounting policies (continued)****(g) Property and equipment**

Property and equipment is carried at cost less accumulated amortization. Amortization is recorded by the straight-line method at rates set out below:

Buildings	20 years
All other assets	4 years

Property and equipment are reviewed for impairment whenever events and changes in circumstances suggest that the carrying amount of an asset may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

**(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 recorded as a long term liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to net income 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 recorded.

**(i) Contributions from the Government**

The contribution approved to finance the Corporation's general operations is recognized as revenue in the year it is received by the Corporation.

The contributions approved for providing operating subsidies to subsidiaries based on need or for the purpose of funding specific business development projects are recognized as revenue in the year the subsidy is paid to the subsidiary or the related business expenses are incurred. Unused contributions are carried forward to the following year and recorded as deferred subsidy contributions.

The contributions approved for making capital investments in the subsidiaries are recognized as revenue in the year the investment is made in the subsidiary.

The contributions approved for purchasing capital assets for the Corporation or subsidiaries are recorded as deferred capital contributions and are recognized as revenue on the same basis as the amortization of the related capital assets.

The Government also provides certain services without charge to the Corporation. The estimated cost of these services is recorded as a government contribution - services received without charge, and included in the Corporation's expenses.

**2. Significant accounting policies (continued)****(j) Employee future benefits**

- i) **Pension benefits:** All eligible employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Corporation. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Plan.
- ii) **Employee severance and removal benefits:** Employees are entitled to severance 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 recorded 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) Financial instruments – recognition and measurement**

All financial assets and financial liabilities (including derivatives) are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on the classification of the financial instruments.

The Corporation has adopted the following policies with respect to the recognition and measurement of its financial instruments:

**Classification of financial instruments****Held-for-trading**

A financial instrument that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term is required to be classified as held-for-trading. The Corporation classified cash as held-for-trading. The fair value of cash approximates the carrying amount due to the short term to maturity.

**Available-for-sale**

Assets that are not actively traded, but may still be sold as a result of changes in market conditions or for liquidity purposes, are classified as available-for-sale. The Corporation classified its venture investments carried at cost as there is no available quoted market price in an active market.

**Loans and receivables**

Loans that are not actively traded are required to be classified as loans and receivables and accounted for at amortized cost using the effective interest rate method. The Corporation classified its accounts receivable and its loans receivable as loans and receivables.

**2. Significant accounting policies (continued)****(k) Financial instruments – recognition and measurement (continued)****Classification of financial instruments (continued)****Held-to-maturity**

Held-to-maturity investments are non-derivative financial assets, other than those assets that meet the definition of loans and receivables, with fixed or determinable payments and a fixed maturity, which an entity has the intention and ability to hold to maturity. These assets are recorded at amortized cost. The Corporation has not classified any of its financial assets as held-to-maturity.

**Other financial liabilities**

The Corporation classified its accounts payable and accrued liabilities and advances from the Government as other financial liabilities, which are accounted for at amortized cost using the effective interest rate method.

**(l) Comprehensive income**

Comprehensive income includes all changes in equity during the year except those resulting from investments by owners and distributions to owners. Other comprehensive income represents changes in equity during the year arising from transactions and other events that include changes in unrealized gains and losses on financial assets classified as available-for-sale.

Currently the Corporation has no other comprehensive income.

**(m) Future accounting changes**

In December 2009, the Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards of the PSAB Handbook. This amendment eliminated the Government Business Type Organizations (GBTO) classification and entities currently classified as a GBTO are required to re-assess their classification. Under the revised introduction, the Corporation is classified as an Other Government Organization (OGO). As an OGO, the Corporation has determined the most appropriate basis of accounting to meet the needs of the users of its consolidated financial statements to be the standards issued by the PSAB. The Corporation will adopt the standards issued by the PSAB for its fiscal year beginning April 1, 2011. The Corporation is currently evaluating the impact of the adoption of these standards.

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**3. Cash**

Cash is comprised of cash held by the Corporation for operations, as well as in funds and reserves established under the Act, cash held by subsidiaries and for employee future benefits. 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 0.87% during the year (2010: 0.38%).

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

In 2011, the responsibility of administrating the employee future benefits including the cash value was transferred to the Corporation (note 10b).

	000's	
	2011	2010
Cash held by the Corporation for operations	\$ 4,412	\$ 3,494
Cash held for employee future benefits	378	-
Cash held by subsidiaries	1,064	684
	5,854	4,178
Venture Investment Fund	3,841	3,683
Subsidy Fund	663	1,063
Capital Fund	1,301	1,201
Venture Reserve Fund	485	485
Capital Reserve Fund	105	90
Loans and Bonds Fund	1,634	370
	8,029	6,892
	<b>\$13,883</b>	<b>\$ 11,070</b>



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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**4. Inventory**

	000's	
	2011	2010
Finished goods	\$ 500	\$ 548
Raw materials	128	137
Work-in-process	25	20
	<b>\$ 653</b>	<b>\$ 705</b>

During the year, no inventories were written down (2010: \$ 44,782) and no inventories were pledged as security for liabilities. Also during the year, the Corporation had \$3,000 in recoveries on inventory that had been previously written down to nil carrying value (2010: nil). Inventory write-downs and recoveries are included in the cost of goods sold.

**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. No variable rate interest loans were approved during the year.

In addition, effective June 2009, the Corporation initiated an interest rate reduction program to enable loan clients who were not in arrears the opportunity to renew their loans at the Corporation's lowest interest rate of 4.25% for a maximum term ending May 31, 2011. The opportunity to renew under this initiative ended March 31, 2010. The Corporation had recognized the total estimated cost of the interest rate reductions granted of \$1,282,000 as an expense for the prior year and reduced the recorded investment in the loans. In addition, the Corporation is also amortizing the reduction in the recorded investment in the loan over the term of the loan so that the return on the loan reflects the interest rate inherent in the loan prior to the interest rate reduction by increasing interest income and the recorded investment in the loan. The additional amount of interest income recognized of \$735,000 is included as part of interest income recognized on loans receivable for the current year (2010: \$431,000).

# Northwest Territories Business Development and Investment Corporation

## Notes to the Consolidated Financial Statements March 31, 2011

### 5. Loans receivable (continued)

As of March 31, 2011, loans receivable are expected to mature as follows:

		000's			
		2011		2010	
		Rate	Balances	Rate	Balances
Performing loans due within:					
	1 year	4.35	\$ 18,661	5.46	\$ 1,170
	1-2 years	-	-	4.41	20,762
	2-3 years	5.75	786	5.25	205
	3-4 years	5.40	6,339	7.25	572
	over 4 years	5.25	6,049	5.34	7,998
			31,835		30,707
Accrued loan interest receivable			152		147
Impaired loans			12,549		10,085
			44,536		40,939
Less: allowance for credit losses (Note 6)			7,464		6,253
			<b>\$ 37,072</b>		<b>\$ 34,686</b>

In 2011, no loan accounts were written off by the Legislative Assembly (2010: nil) or the Board of Directors (2010: \$10,000). No loan accounts were forgiven by the Legislative Assembly (2010: \$31,000) or the FMB (2010: nil). In 2011, recoveries on loans receivable previously written off totalled \$11,000 (2010: \$2,000).

### 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:

### Geographic concentration

		000's			
		2011		2010	
Region		Performing	Impaired	Performing	Impaired
South Slave	\$	15,588	\$ 4,738	\$ 14,443	\$ 4,053
North Slave		7,011	5,199	8,788	3,879
Inuvik		2,235	983	1,666	1,054
Dehcho		4,441	544	2,976	591
Sahtu		2,560	1,085	2,834	508
	\$	<b>31,835</b>	<b>\$ 12,549</b>	<b>\$ 30,707</b>	<b>\$ 10,085</b>

# Northwest Territories Business Development and Investment Corporation

## Notes to the Consolidated Financial Statements March 31, 2011

### 5. Loans receivable (continued)

#### Enterprise concentration

Enterprise	000's			
	2011		2010	
	Performing	Impaired	Performing	Impaired
Construction	\$ 7,816	\$ 2,236	\$ 7,727	\$ 1,860
Retail trade	6,952	1,376	6,879	1,431
Accommodations, food and beverage	4,904	2,385	5,952	844
Wholesale trade	3,528	-	3,654	-
Transportation and storage	3,526	301	1,855	337
Other services	1,547	1,006	1,577	1,285
Travel and tourism	1,145	1,872	1,251	2,197
Real estates and rentals	929	-	-	-
Manufacturing	806	-	873	-
Business services	390	-	-	-
Finance and insurance	230	1,044	775	529
Forestry and logging	59	10	71	-
Communication	3	184	53	225
Oil and gas	-	1,503	-	773
Fisheries and wildlife harvesting	-	632	40	604
	<b>\$ 31,835</b>	<b>\$ 12,549</b>	<b>\$ 30,707</b>	<b>\$ 10,085</b>

The loans receivable balance contains loans, totalling \$927,000, made to venture investees (2010: \$1,065,000). These loans are in addition to the venture investments shown in Note 7.

The following table illustrates performing loans outstanding as at March 31 classified by the Corporation's credit risk rating system:

Credit risk rating	000's			
	2011		2010	
Low	\$ 16,037	50.4%	\$ 14,627	47.6%
Medium	10,332	32.5%	11,277	36.7%
High	5,466	17.1%	4,803	15.7%
	<b>\$ 31,835</b>	<b>100.0%</b>	<b>\$ 30,707</b>	<b>100.0%</b>

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			
	30 – 59 days	60 – 89 days	Over 90 days	Total
As at March 31, 2011	\$ 354	\$ 63	\$ -	\$ 417
As at March 31, 2010	326	639	12	977

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**5. Loans receivable (continued)**

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 2011 (2010: nil).

**6. Allowance for credit losses**

	000's	
	2011	2010
Balance, beginning of year	\$ 6,253	\$ 7,755
Provision for (recovery of) credit losses	1,551	(268)
Recoveries from repayments	(280)	(1,193)
Reduction for property acquired in settlement of loans (Note 9)	(60)	-
Write-offs and forgiveness (Note 5)	-	(41)
<b>Balance, end of year</b>	<b>\$ 7,464</b>	<b>\$ 6,253</b>
Comprised of:		
Specific allowance	\$ 6,828	\$ 5,639
General allowance	636	614
	<b>\$ 7,464</b>	<b>\$ 6,253</b>

**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, 2011, the Corporation does not have significant influence in the companies in which it has invested.

	000's	
	2011	2010
Balance, beginning of year	\$ 110	\$ 137
Recoveries	135	-
Redemptions	(141)	(27)
<b>Balance, end of year</b>	<b>\$ 104</b>	<b>\$ 110</b>

The total cumulative venture investments at March 31, 2011 was \$2,097,000 (2010:\$2,238,000) with associated write downs of \$1,993,000 (2010:\$2,128,000)

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
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**7. Venture investments (continued)****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.

**8. Property and equipment**

	000's			
	Cost	Accumulated Amortization	Net Book Value 2011	Net Book Value 2010
Land	\$ 82	\$ -	\$ 82	\$ 82
Buildings	4,072	3,830	242	265
Equipment	729	717	12	21
Leasehold improvements	247	176	71	106
Computer equipment	30	28	2	4
Vehicles	50	50	-	-
	<b>\$ 5,210</b>	<b>\$ 4,801</b>	<b>\$ 409</b>	<b>\$ 478</b>

**9. Property held for resale**

During the year the Corporation acquired real estate and payables in the settlement of a loan. The real estate and payables acquired have been recorded at the fair value reduced by the estimated cost of sale. The following table shows the impact the transaction has on the different components of the financial statements.

	000's
Property acquired in settlement of loan	\$ 152
Reduction in provision for credit losses	60
Provision for credit losses	(59)
Loans receivable	(105)
Accounts payable	(48)

**10. Employee future benefits****(a) Pension benefits**

The Corporation and all eligible employees contribute to the Government of Canada Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Public Service Pension Plan for the year were as follows:

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
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**10. Employee future benefits (continued)****(a) Pension benefits (continued)**

	000's	
	2011	2010
Corporation's contributions	\$ 266	\$ 212
Employees' contributions	\$ 114	\$ 94

**(b) Severance and removal benefits**

The Corporation provides severance benefits to its employees based on years of service and final salary. The Corporation also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is pre-funded from current contributions and recognized as part of cash on the Corporation's balance sheet. In 2011, the administration of the plan was transferred to the Corporation

Information about the plan, measured as at the balance sheet date, is as follows:

	000's	
	2011	2010
Employee future benefits, beginning of year	\$ 374	\$ 324
Cost for the year	4	50
<b>Employee future benefits, end of year</b>	<b>\$ 378</b>	<b>\$ 374</b>
<b>Due from the Government</b>	<b>\$ -</b>	<b>\$ 374</b>

**11. Advances from the Government**

The Act authorizes the Corporation to borrow, for the purpose of lending and for minority equity investments, 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 (2010: \$45 million) as at March 31, 2011.

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 1.5% to 2.5% (2010: 1.4% to 2.0%) during the year.

# Northwest Territories Business Development and Investment Corporation

## Notes to the Consolidated Financial Statements March 31, 2011

### 12. Deferred subsidy contributions

	000's	
	2011	2010
Balance, beginning of year	\$ 1,063	\$ 1,116
Subsidy contributions received during the year	700	800
Subsidies paid to subsidiaries and for business development projects during the year (Note 15)	(1,100)	(853)
<b>Balance, end of year</b>	<b>\$ 663</b>	<b>\$ 1,063</b>

### 13. Deferred capital contributions

	000's	
	2011	2010
Balance, beginning of year	\$ 1,835	\$ 2,041
Capital contributions received during the year	275	110
Amortization of deferred capital contributions	(42)	(176)
Disposal of long-lived assets	-	(140)
<b>Balance, end of year</b>	<b>\$ 2,068</b>	<b>\$ 1,835</b>
Comprised of:		
Capital contributions allocated but unexpended	\$ 1,758	\$ 1,484
Capital contributions being amortized (net of amortization)	310	351
	<b>\$ 2,068</b>	<b>\$ 1,835</b>

### 14. Asset retirement obligations

	000's	
	2011	2010
Balance, beginning of year	\$ 92	\$ 122
Accretion expense	5	5
Disposals during the year	-	(37)
Additions during the year		2
<b>Balance, end of year</b>	<b>\$ 97</b>	<b>\$ 92</b>

The Corporation estimates the undiscounted amount of cash flows required to settle the asset retirement obligations to be approximately \$97,000 (2010: \$133,900) which will be incurred between 2010 and 2034. Credit-adjusted risk-free rates between 4.88% and 5.56% (2010: 4.88% and 5.56%) were used to calculate the carrying values of the asset retirement obligations. No funds have been set aside by the Corporation to settle the asset retirement obligations

# Northwest Territories Business Development and Investment Corporation

## Notes to the Consolidated Financial Statements March 31, 2011

### 15. Government contributions

Government contributions recognized as revenue during the year are as follows:

	000's	
	2011	2010
Government of the Northwest Territories:		
Contribution received to finance general operations	\$ 2,648	\$ 2,639
Subsidies paid to subsidiaries and for business development projects during the year	1,100	853
Services received without charge (Note 22)	738	728
Amortization of deferred capital contributions (Note 13)	42	176
	4,528	4,396
Federal and Northwest Territories programs	122	118
	\$ 4,650	\$ 4,514

### 16. Operating and administrative expenses

	000's			
	2011		2010	
	Lending	Retail/ Manufacturing	Lending	Retail/ Manufacturing
Salaries	\$ 2,559	\$ 659	\$ 2,302	\$ 515
Rent	215	15	207	20
Professional fees	66	74	108	126
Office and general	119	77	127	55
Environmental cleanup	-	-	-	25
Utilities	-	161	-	170
Board members	53	3	55	2
Travel	82	29	94	37
Communication	17	21	17	17
Training and workshops	25	14	44	-
Advertising and promotion	11	23	29	27
Amortization	21	49	25	28
Loss on write down of inventory	-	-	45	-
Accretion expense	3	2	3	2
Bad debts (recovery)	-	(11)	(22)	16
Bank charges and interest	2	18	2	16
	3,173	1,134	3,036	1,056
Business Service Centre	70	-	78	-
Business Development Fund	200	-	153	-
	\$ 3,443	\$ 1,134	\$ 3,267	\$ 1,056



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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements****March 31, 2011**

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**17. Changes in non-cash operating working capital on the Consolidated Statement of Cash Flows**

	000's	
	2011	2010
Accounts receivable	\$ 263	\$ (195)
Inventory	52	474
Prepaid expenses and due from government	697	(100)
Accounts payable and accrued liabilities and employee future benefits	(167)	(8)
Loan receivable interest income accruals	(5)	27
	<b>\$ 840</b>	<b>\$ 198</b>

**18. 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.

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 include:

- 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 application 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 collaterals held as security and other credit enhancements for loans include: (i) real estate; (ii) equipment; (iii) corporate and personal guarantees; and (iv) assignments of leases.

As at March 31, 2011, \$2,467,000 (2010: \$1,898,000) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrower's commitments. There were no significant changes to the Corporation's credit risk management policies and practices from the prior year.

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**18. Financial instruments (continued)****Credit risk (continued)**

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2011:

	000's	
	2011	2010
Cash	\$ 13,883	\$ 11,070
Accounts receivable	416	679
Loans receivable	37,072	34,686
Venture investments	104	110

**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 fair value and future cash flows of the advances from the Government. Changes in interest rates will also cause fluctuations in the fair value of the loans receivable, as well as interest revenue from cash.

The Corporation's borrowing from the Government is based on a variable market rate and it lends to 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.

Based on the Corporation's advances from the Government as at March 31, 2011 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease net income by \$335,000 (2010: \$176,000). 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 Corporation has no significant liabilities maturing in future years. The Corporation does not currently believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities.

There are no fixed repayment terms on the advances from the Government. Repayment on advances is made whenever the Corporation has sufficient cash on hand which is not earmarked for lending purposes, thus creating additional liquidity for the Corporation for lending purposes.

**Fair value of financial instruments**

The Corporation's financial instruments consist of cash, accounts receivable, loans receivable, venture investments, accounts payable and accrued liabilities, and the advances from the Government. The fair values are determined using the valuation methods and assumptions described hereafter.

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**18. Financial instruments (continued)****Fair value of financial instruments (continued)**

The carrying value of short term financial instruments such as cash, accounts receivable and accounts payable and accrued liabilities approximates their fair values due to the short term nature of these financial instruments.

The advance from the government carries a variable market interest rate and therefore its carrying value is considered by management to approximate its fair value.

The venture investments are recorded at cost because there is no active market for these securities.

The estimated fair value for the performing loans receivable is estimated using a discounted cash flow calculation based on current rates for loans with similar risks. The general component of the allowance for credit losses is subtracted from the estimated fair value of the performing loans receivable. The estimated fair value of the impaired loans receivable is equal to their net realizable value, which is calculated by subtracting the specific component of the allowance for credit losses from the recorded investment in the impaired loans receivable.

	000's			
	2011		2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash	\$ 13,883	\$ 13,883	\$ 11,070	\$ 11,070
Accounts receivable	416	416	679	679
Loans receivable	37,072	34,945	34,686	33,422
Venture investments	104	104	110	110
Property acquired in settlement of loans	152	152	-	-
Accounts payable and accrued liabilities	616	616	739	739
Advances from the Government	34,765	34,765	31,554	31,554

**19. Capital management**

The Corporation's primary objective is to provide financial assistance to northern businesses in accordance with its mandate. As it is economically dependent upon the Government, funding received from the Government through the annual contributions and advances constitute the Corporation's primary sources of capital. Contributions received must be allocated and used in accordance with its Corporate Plan and funding through the advances must be used in accordance to limits and conditions approved by the FMB as described in notes 1(c) and 10.

For the year, the FMB approved total government contributions of \$3.623 million (2010: \$3.549 million) to the Corporation.

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
**March 31, 2011**

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**19. Capital management (continued)****Equity**

The Corporation has not established any debt-to-equity and capital adequacy ratio limits and is not required to maintain any capital and loss reserves sufficient to ensure it can withstand unfavourable economic circumstances without additional government funding. In addition, there are no statutory limitations to the recorded surplus. There were no changes to the Corporations capital management policies or objectives from the prior year.

**20. Guarantees and commitments****Guarantees**

The Corporation has four outstanding loans to two Northern Community Futures organizations for their own lending purposes totalling \$1,057,000. Loans provided by these two organizations may be assigned to the Corporation when impaired. If assigned, the Corporation would then write-off the Community Futures organization loan balance and would attempt to recuperate its loss. In 2011, three accounts in the amount of \$41,000 were assigned to the Corporation (2010: \$ 62,000).

**Loan and venture commitments**

As at March 31, 2011, loans to businesses, approved but not yet disbursed, totalled \$3.3 million at a weighted average interest rate of 5.3% (2010: \$3.3 million at a weighted average rate of 5.6%). These loans do not form part of the loans receivable balance until disbursed. As at March 31, 2011, there were no venture commitments (2010: nil).

**Letters of credit**

The Corporation has four outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled \$2,180,000 and expire in 2011 and 2012. 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, the Corporation paid out \$100,000 to a third party and recorded the amount as a loan receivable (2010: nil) and no amount has been recorded as a liability.

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**Northwest Territories Business Development and Investment Corporation****Notes to the Consolidated Financial Statements**  
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**21. 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, as explained hereafter, are provided without charge.

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

	000's	
	2011	2010
<b>Revenues</b>		
Sales	\$ 74	\$ 25
<b>Expenses</b>		
Purchases	109	181
Interest expense	635	532
<b>Balances at year end</b>		
Accounts receivable	\$ 47	\$ 28
Accounts payable and accrued liabilities	162	12
Advances from the Government	34,765	31,554

**Services received without charge**

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

	000's	
	2011	2010
Staff support	\$ 524	\$ 522
Accommodation	214	206
	<b>\$ 738</b>	<b>\$ 728</b>

**23. Subsequent event****Incorporation of a subsidiary**

On July 14, 2011 the Corporation agreed to purchase the assets for \$1 from 974120 N.W.T. Ltd. which had a loan receivable including interest of \$508,016. Management estimates that the assets purchased have a fair market value of approximately \$328,000 which is equal to the value of the impaired loan. The recovery on this impaired loan was accrued for at March 31, 2011.

In March 2011, a proposal to create a new subsidiary to run a business with the purchased assets of 974120 N.W.T. Ltd. was approved by the FMB. The new company was incorporated in May 2011.