Annual Report 2011/2012

NWT Business Development and Investment Corporation

Table of Contents

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

Through economic development, the BDIC has continued to cultivate the growth of small and medium sized businesses in the Northwest Territories (NWT). Over the last seven years we have expanded our suite of products to effectively help NWT businesses have better choices with more options.

In 2011-2012 we have again achieved success growing our programs; most notably we were able to increase the number of financial contributions by 56% across all NWT regions. With the commitment of our Minister, Honourable David Ramsay to community development, we have created and maintained 47.22 direct and indirect jobs in NWT communities.

In 2011/2012 some of the BDIC's key achievements include:

- Increasing the number of contributions by 56% to $257,000 across every region in the NWT.
- Signing a new 3 year partnership agreement with the Canadian Northern Economic Development Agency to deliver Canada Business NWT services.
- Expanding the markets of the BDIC's subsidiaries through promotions and efforts from Arctic Canada Trading Company Ltd.
- Completion of the first Muskox harvest by our newest subsidiary company in Sachs Harbour.

With the continuous volatile state of the global economy, times remain challenging for economic growth. Despite the global fiscal reality, the BDIC continues its commitment to economic development. We will continue to focus on the growth of our 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.

Our sincere thanks to the Minister Responsible for the BDIC, Hon. David Ramsay for his continued and strong support for the BDIC, the Board of Directors for their sincere commitment to the BDIC and the staff for their relentless dedication and hard work. Together, we will continue our work to help strengthen the Northwest Territories economy.

We are business oriented people working for business people.

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

An accountable and independent Crown Corporation providing resources for the economic development of the Northwest Territories.

Mission

To support the economy by encouraging the creation and development of businesses in communities.

We proactivly 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.

DIRECTORS MEETINGS ATTENDED	
Darrell Beaulieu	4/4
Joanne Deneron	4/4
Charlie Furlong	2/4
Ruby Landry	3/4
Gwen Robak	4/4
Denny Rodgers	3/4
Andy Wong	4/4
Warren Wright	3/4
Denise Yuhas	4/4

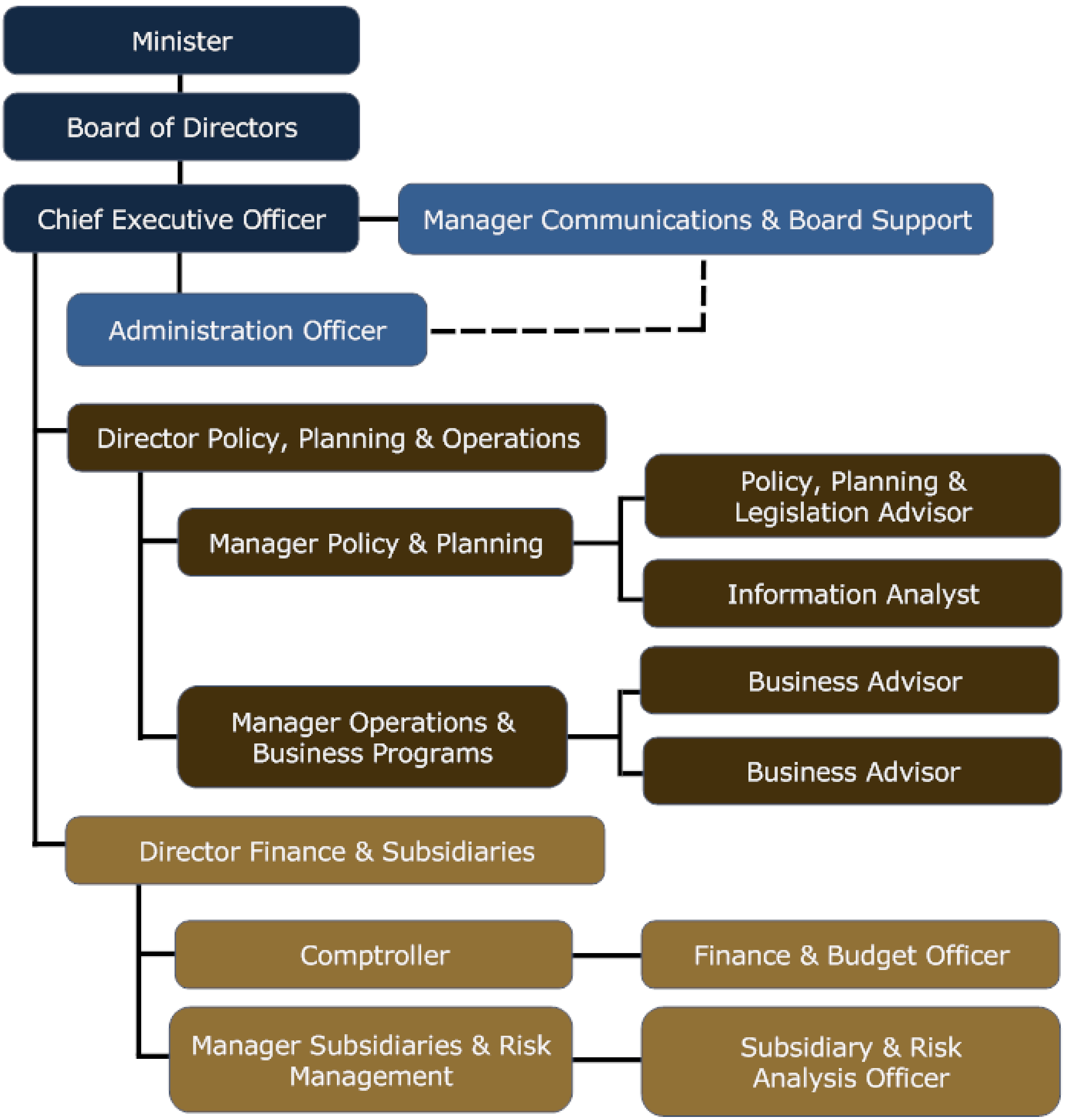
BDIC BOARD OF DIRECTORS	
Darrell Beaulieu - Chairperson	N'dilo
Joanne Deneron - Director	Fort Liard
Charlie Furlong - Director	Aklavik
Ruby Landry - Director	Kakisa
Gwen Robak - Director	Hay River
Denny Rodgers - Director	Inuvik
Andy Wong - Director	Yellowknife
Warren Wright - Director	Norman Wells
Denise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

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, 2012



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

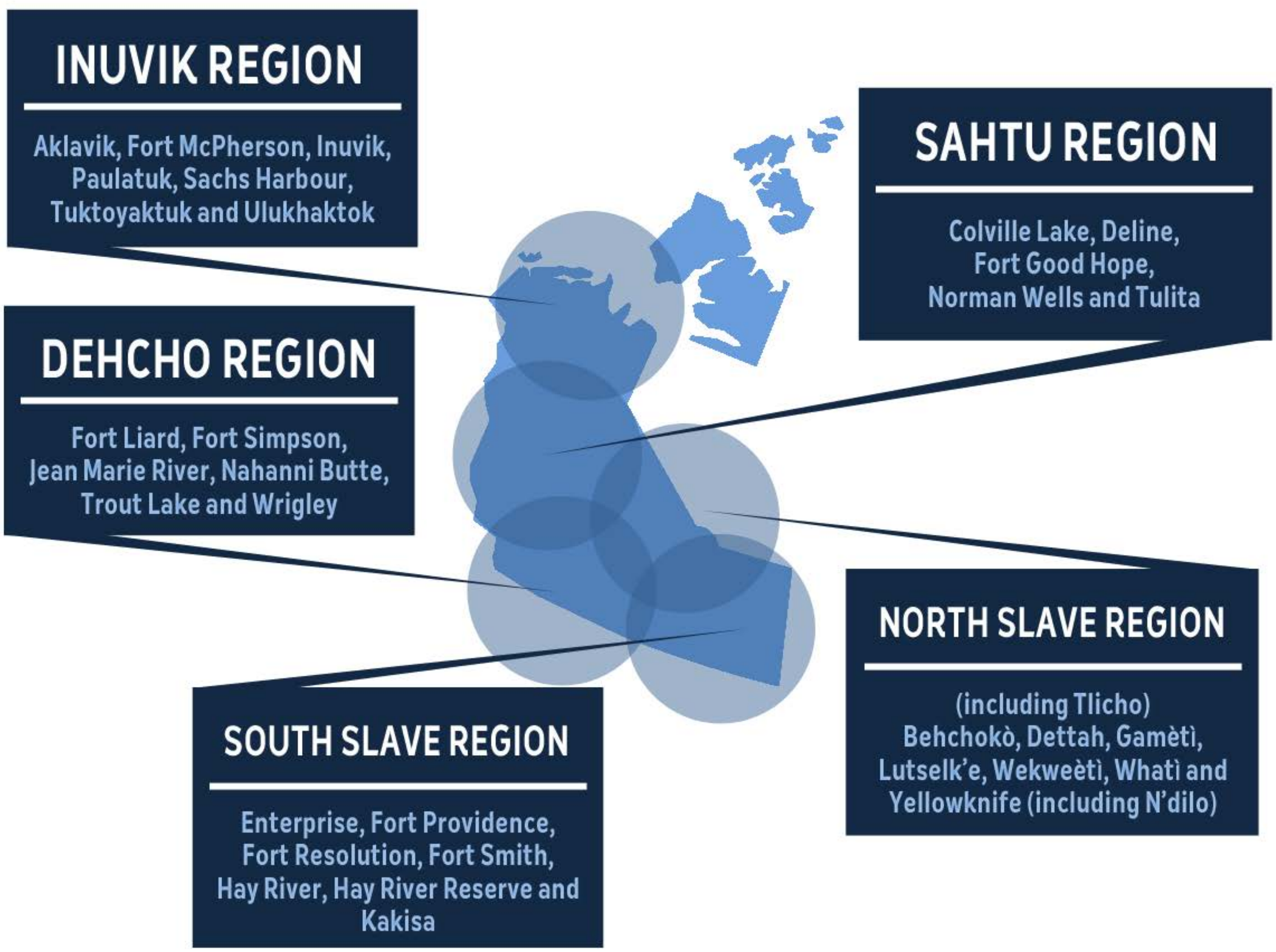
The BDIC offers financial programs and business services to NWT businesses. They are delivered at BDIC Headquarters in Yellowknife and through the Department of Industry Tourism and Investment regional delivery agents across the NWT.

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

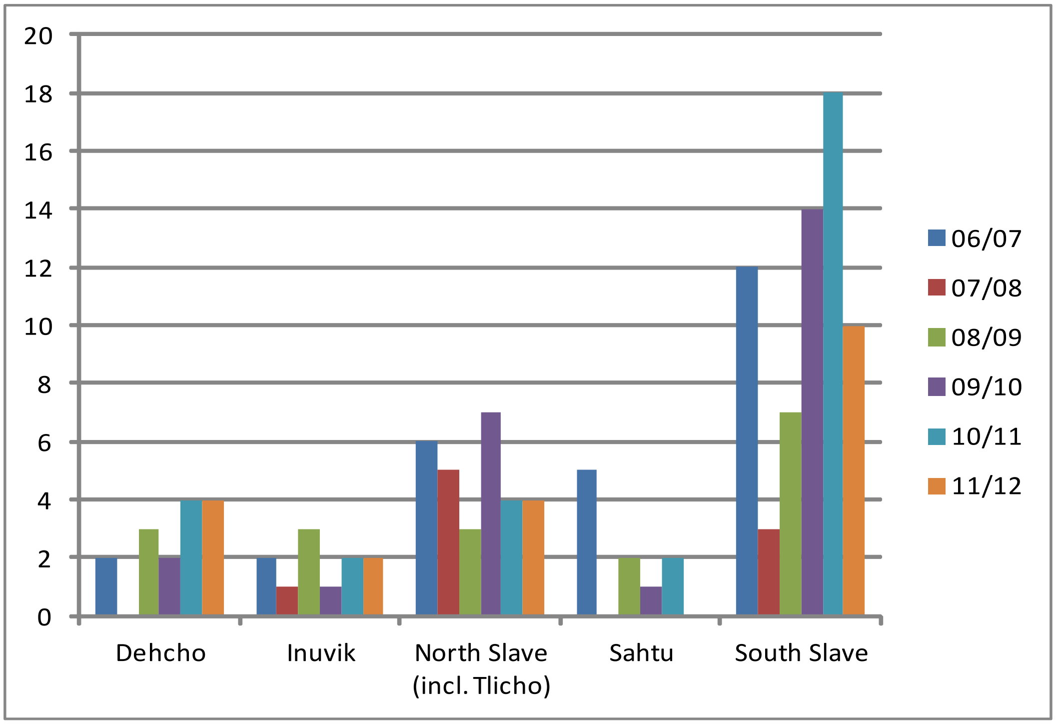
The BDIC lends to northern businesses where conventional lending institutions are not prepared to lend and to businesses in communities where a commercial bank is not operating. The terms can be flexible to meet the needs of individual clients. The BDIC also provides Standby Letters of Credit for contract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



2011-2012 Highlights

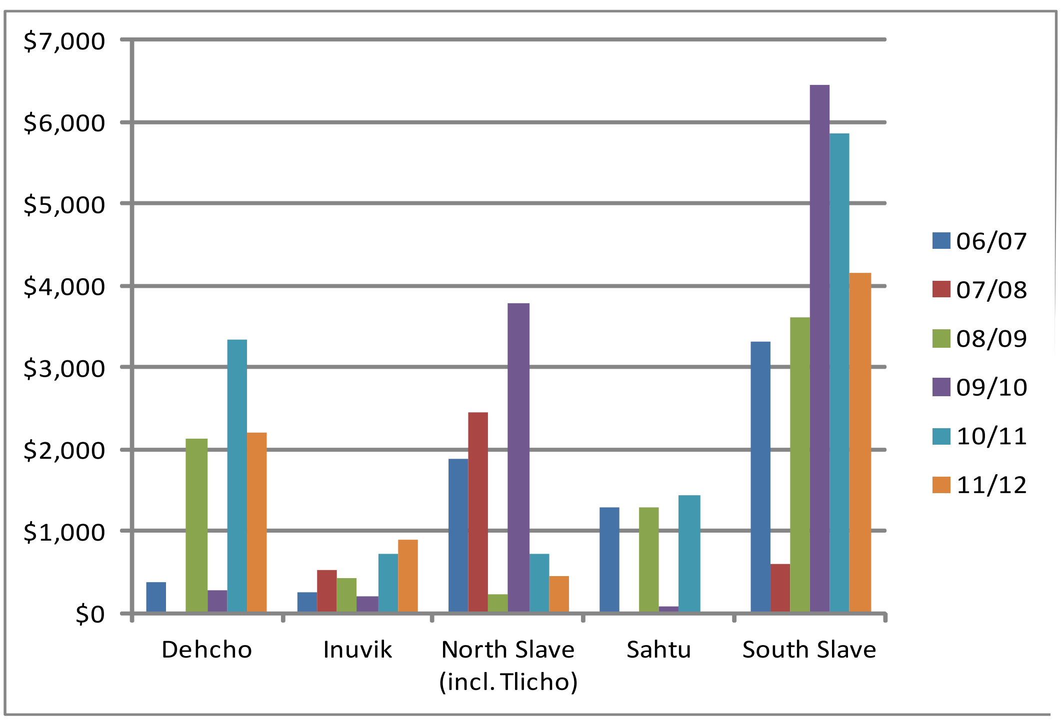
Number of Approved Credit Facilities by Region

(2006/2007 - 2011-2012)

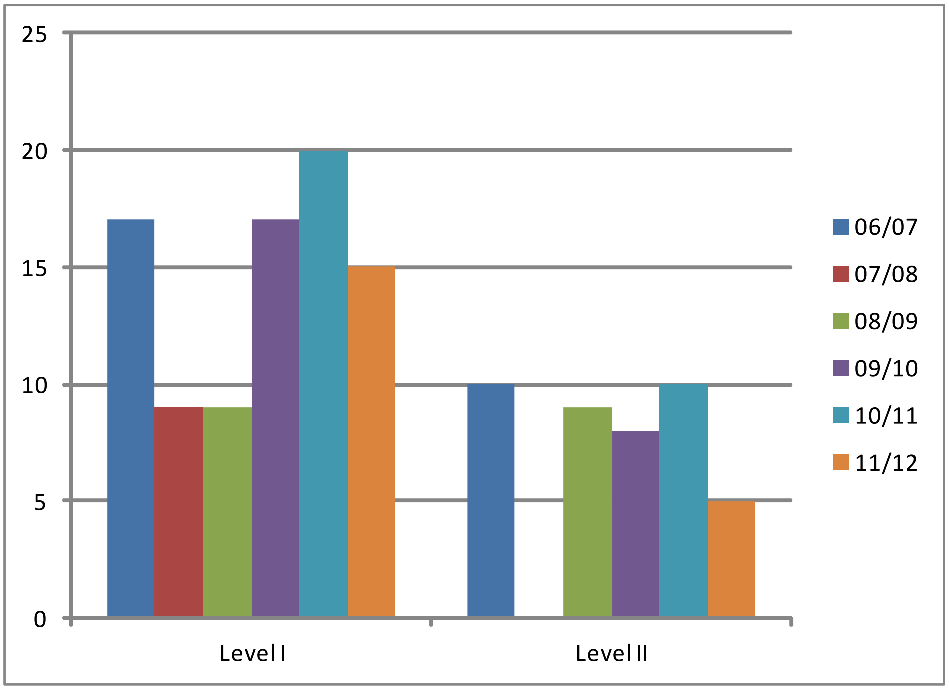


Value of Approved Credit Facilities by Region

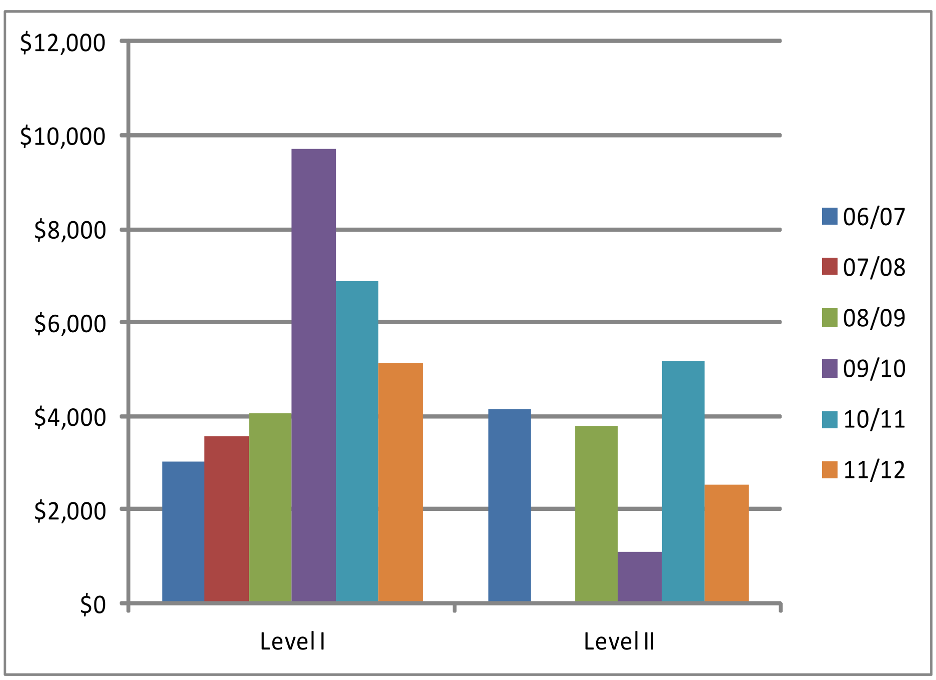
(2006/2007 - 2011-2012)



Number of Approved Credit Facilities by Community Level
(2006/2007 - 2011-2012)



Amount of Approved Credit Facilities by Community Level
(2006/2007 - 2011-2012)



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.

Venture Investment	Community
175119 Canada Inc. (o/a NWT Marine)	Yellowknife
5352 NWT Ltd. (o/a Snare Lake Ldoge)	Wekweètì
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

Subsidiary Board of Directors

(as of March 31 2012)

INVESTMENT	YEAR OF INCORPORATION	2011/2012 BOARD OF DIRECTORS
5983 NWT Ltd. (Ulukhaktok Arts Centre)	2008	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 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 Leonard Kwong Pawan Chugh Warren Wright
6355 NWT Ltd. (Muskox subsidiary)	2011	Joseph Carpenter Denny Rodgers Pawan Chugh Vernon Amos Warren Wright

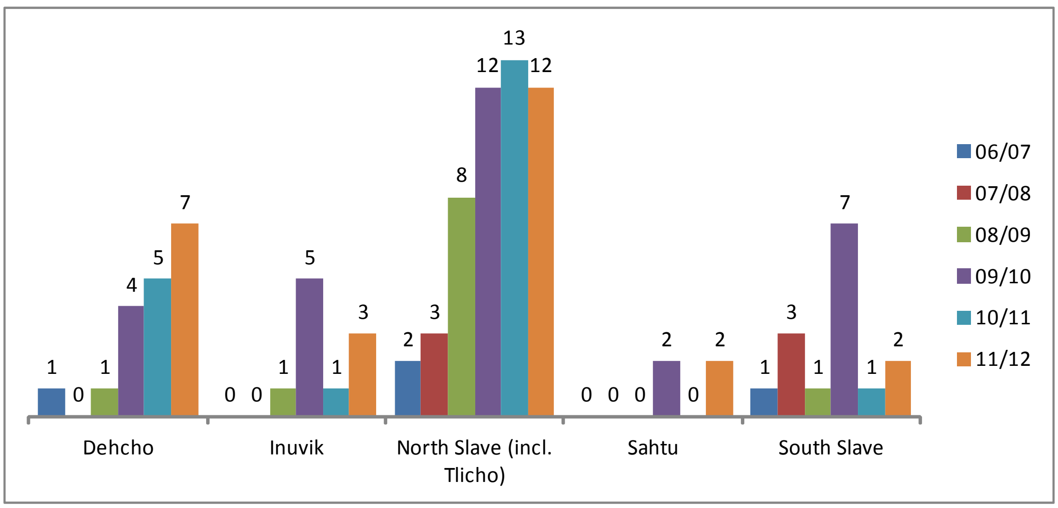
Contribution Programs

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 2011/2012, the BDIC received 50 applications for contributions with a total value of $541,432, compared to 42 applications received in 2010/2011 with a total value of $366,784. A total of 26 applications were approved with a total value of $256,996, compared to 20 approvals in 2010/2011 with a total value of $165,579.

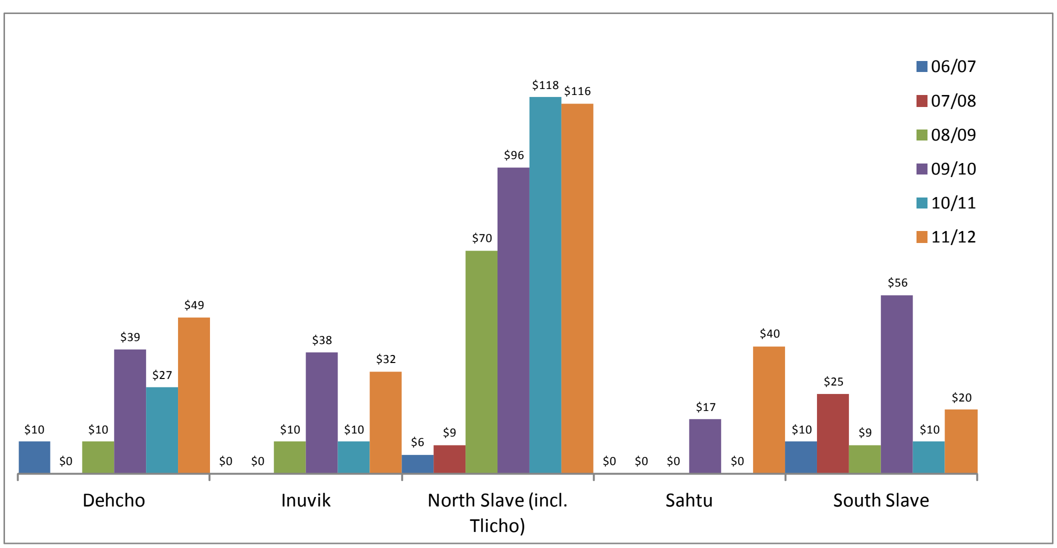
Number of Approved Contributions by Region

(2006/2007 - 2011-2012)



Value of Approved Contributions by Region

(2006/2007 - 2011-2012 in $000s)



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. Accounts over $1,000 can only be approved for forgiveness by the Legislative Assembly of the NWT.

BDIC Write offs and Forgiveness Accounts

(2011 - 2012)

Name	Amount
Forgiveness by Legislative Assembly	
M.A.N. Enterprises Ltd.	681,624.73
Anne Marie McGuire	5,675.62
Northern Maintenance Ltd.	67,694.64
The Fish Gate Ltd.	131,214.99
Xah Ndah Resources Ltd.	48,998.04
YK Dollar Store Ltd.	62,202.33
Annette Gero	36,866.69
Written off by Legislative Assembly	
Raymond Beaver and Michael Beaver	60,635.04
Marcel Frise	49,357.64
Alexander Gresl	57,161.62
Kunnek Resource Development Corporation	195,185.42
Kenneth Laliberte	27,491.61
Lirette's Trucking Service (1992) Ltd.	358,965.89
Kelly Yew	23,186.63
Written off by Board of Directors	
Lorra Gummesen	8,790.80

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.

The Community Futures Development Corporations are:

- 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 2011/2012, 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 254 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 2011/2012, 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 2011/2012, the BDIC's venture investments and subsidiaries created or maintained 39.22 direct jobs and 8 indirect jobs, for a total of 47.22 full-time equivalent jobs.

Indirect jobs are calculated using the NWT Bureau of Statistics Input Output Model, which measures employment contribution. The real number of indirect jobs created by the BDIC is much higher. Direct and indirect jobs for venture investments are aggregated so as not to compromise their operations.

Investment	Direct Jobs
6355 NWT Ltd. (Muskox subsidiary)	4.00
5983 NWT Ltd. (Ulukhaktok Arts Centre)	1.75
Acho Dene Native Crafts Ltd.	1.72
Dene Fur Clouds Ltd.	4.50
913044 NWT Ltd. (Fort McPherson Tent & Canvas Shop)	4.25
Nahanni Butte General Store Ltd.	3.00
Venture Investments	20.00
Total jobs created or maintained	39.22

Indirect Jobs	
Subsidiaries	4.00
Venture Investments	4.00
Total	8.00

Disbursements

The BDIC disbursed funds to the following NWT businesses during the 2011/2012 fiscal year.

Name of Business	Owners	Community	Financial Program	Total Amount Disbursed
5323 NWT LTD	Hay River Metis Government	Hay River	Credit	150,000.00
5366 NWT Ltd. (o/a Lou's Small Engine (2003))	Walterhouse, Blaine	Fort Smith	Credit	637,000.00
5983 NWT Ltd. (o/a Ulukhaktok Arts Centre)	NWT BDIC	Ulukhaktok	Subsidy	50,000.00
6030009 Canada Inc. (o/a Surly Bob's Sports Bar)	Denny, Lyle; Ross, Robert	Yellowknife	Credit	55,000.00
6268 NWT Ltd.	Hofmann, Melissa; Korotash, Wayne	Hay River	Credit	248,000.00
6355 NWT Ltd.	NWT BDIC	Sachs Harbour	Subsidy	225,000.00
913044 NWT Ltd. (o/a Fort McPherson Tent & Canvas Shop)	NWT BDIC	Fort McPherson	Subsidy	85,000.00
Acho Dene Native Crafts	NWT BDIC	Fort Liard	Subsidy	125,000.00
Alison McCreesh (o/a Alison McCreesh Illustration)	McCreesh, Alison	Yellowknife	Contribution	10,000.00
Arctic Pure Natural Spring Water	Bourque, Charlie; Borque, Roger; Borque, Ryan	Fort Smith	Credit	30,000.00
Arctic Pure Natural Spring Water	Bourque, Charlie	Fort Smith	Contribution	10,000.00
Cornerstone Oilfield Services	Doctor, Benny	Tulita	Contribution	20,000.00
Dene Fur Clouds	NWT BDIC	Fort Providence	Subsidy	250,000.00
Deneyoua, Rufus (o/a R.W. Contracting)	Deneyoua, Rufus	Fort Simpson	Contribution	1,142.37
Deninu K'ue Development Corporation Ltd.	Deninu K'ue First Nation	Fort Resolution	Credit	198,000.00
Erasmus Apparel Ltd.	Sarah Erasmus	Yellowknife	Contribution	10,000.00
Frost, Janelle (o/a Imagine That!?)	Frost, Janelle	Inuvik	Contribution	8,288.00

Disbursements

Giroux, David William (o/a Arctic Firewood & Great Slave Boat)	Giroux, David	Dettah	Contribution	9,493.89
Groat, Kirby & Wendy (o/a Deh Cho Suites)	Groat, Kirby; Groat, Wendy	Fort Simpson	Credit	197,460.39
Homister, John (o/a Mckenzie Manor)	Homister, John	Fort Simpson	Credit	1,558,000.00
Hoppenbrouwers, Judith (o/a Kompas Solutions)	Hoppenbrouwers, Judith	Behchoko	Contribution	19,347.23
J&L Transport Limited	Louie, Peter J; Gruben Peter Louie	Tuktoyaktuk	Credit	479,913.00
Jacquard, Larry (o/a Villa Imports)	Jacquard, Larry	Yellowknife	Contribution	3,867.57
Kikoak, Anna (o/a Anna's Homecooking and Kidz Club)	Kikoak, Anna	Fort Smith	Contribution	10,000.00
Martselos Services Ltd.	Marselos, Peter; Martselos Frieda	Fort Smith	Credit	51,000.00
McDonald, Mandi Lee (o/a Mandi Lee's Mobile Kitchen)	Mcdonald, Mandi	Norman Wells	Contribution	20,000.00
Mercredi, Travis	Mercredi, Travis	Yellowknife	Contribution	9,955.00
Migwi, Mabel Mary	Migwi, Mabel	Yellowknife	Contribution	10,000.00
Morgan's Mechanical Ltd.	Depuis, Morgan; Dupuis, Kristy	Hay River	Credit	310,709.00
Moses, Darcy E.	Moses, Darcy	Wrigley	Contribution	4,766.30
Moses, D'arcy J.	Moses, D'arcy J.	Wrigley	Contribution	16,470.00
Nahanni Butte General Store Ltd.	NWT BDIC	Nahanni	Subsidy	125,000.00
Powder, Denis Thomas (o/a Silver Bullet Contracting)	Powder, Denis Thomas	Hay River	Credit	200,000.00
Redvers, Nicole (o/a Gaia Naturopathic Clinic)	Redvers, Nicole	Yellowknife	Credit	386,100.00
Sabine, Jeremiah (o/a Arctic Balancing)	Sabine, Jeremiah	Yellowknife	Contribution	9,950.00

Disbursements

Scott, Craig (o/a Arctic Harvest)	Mitchell, Mike	Yellowknife	Contribution	9,523.81
Sibbeston, Darlene (o/a XIH SHETS'ETIH)	Sibbeston, Darlene	Fort Simpson	Contribution	15,466.99
Simon, Isidore Paul	Simon, Isidore	Jean Marie River	Contribution	5,801.75
Simon, Lucy	Simon, Lucy	Jean Marie River	Contribution	5,000.00
Simpson Air (1981) Ltd.	Grant, Edward J	Fort Simpson	Credit	940,000.00
Taylor, Derrald	Taylor, Derrald	Yellowknife	Contribution	2,046.24
The Martial Centre Inc.	Spencer, Nicole	Yellowknife	Contribution	10,000.00
Tsetso, Christine (o/a Trail River Creative Services)	Tsetso, Christine	Fort Simpson	Contribution	1,014.00
Villebrun, Greta	Villebran, Greta	Tsiigehtchic	Contribution	3,698.10
Watier, Eilzabeth (o/a Northern Engraving Plus)	Watier, Elizabeth	Yellowknife	Contribution	10,000.00
Whelly, Brendan (o/a Sign Magic)	Whelly, Brendan	Fort Simpson	Credit	25,000.00
Yamotech Inc	Kakfwi, Stephen; Ungerneau, Rares; Zoe, John	Yellowknife	Contribution	7,600.76
Young, Laurie (o/a The Rusty Raven Gallery & Gift)	Young, Laurie	Fort Smith	Credit	200,000.00
		Total:		6,769,614.39

Financial Statements

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

For the year ended

March 31, 2012

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

October 15, 2012

Auditor General of Canada
Vérificateur général du Canada

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 statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the consolidated statements of operations and accumulated surplus, consolidated statements of change in net financial assets and consolidated statements of cash flows for the years ended 31 March 2012 and 31 March 2011, 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 audits. I conducted my audits 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 in my audits 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 2012, 31 March 2011 and 1 April 2010, and the results of its operations, changes in its net financial assets, and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Other Matter

Without modifying my opinion, I draw attention to Note 3 to the consolidated financial statements, which describes that the Northwest Territories Business Development and Investment Corporation adopted Canadian public sector accounting standards on 1 April 2011 with a transition date of 1 April 2010. These standards were applied retroactively by management to the comparative information in these consolidated financial statements. My reports on the consolidated financial statements of the Northwest Territories Business Development and Investment Corporation for the years ended 31 March 2011 and 31 March 2010, dated 13 September 2011 and 16 July 2010 respectively were qualified because the Northwest Territories Business Development and Investment Corporation did not apply Accounting Guideline 15 – *Consolidation of Variable Interest Entities* which constituted a departure from Canadian generally accepted accounting principles. With the adoption of Canadian public sector accounting standards management has determined that these entities are not required to be consolidated into the reporting entity as they are not controlled by the Northwest Territories Business Development and Investment Corporation. Accordingly, my opinions on the consolidated financial statements for the years ended 31 March 2011 and 31 March 2010 expressed in those reports are different from those expressed on the consolidated financial statements for the year ended 31 March 2011 and the consolidated statement of financial position as at 1 April 2010 in this report.

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, after giving retroactive effect to the adoption of the new standards as explained in Note 3 to the consolidated financial statements, 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 audits 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

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

15 October 2012
Edmonton, Canada

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Financial Position (000's)

	March 31, 2012	March 31, 2011	April 1, 2010
	$	$	$
Financial Assets			
Cash (Note 4)	13,010	13,883	11,070
Accounts receivable	113	416	679
Inventories held for resale (Note 5)	585	500	488
Loans receivable (Notes 6 and 7)	37,741	37,072	34,686
Venture investments (Note 8)	91	104	110
Asset held for sale (Note 9)	130	152	-
Due from the Government	-	-	374
	51,670	52,127	47,407
Liabilities			
Accounts payable and accrued liabilities	818	616	739
Post employment benefits (Note 10)	405	378	374
Advances from the Government (Note 11)	32,203	34,765	31,554
Asset retirement obligations (Note 12)	105	97	92
Environmental liability (Note 13)	35	-	-
	33,566	35,856	32,759
Net financial assets	18,104	16,271	14,648
Non-financial assets			
Tangible capital assets (Schedule A)	605	409	478
Inventories held for use (Note 5)	231	153	217
Prepaid expenses	31	8	331
	867	570	1,026
Accumulated surplus	**18,971**	**16,841**	**15,674**

Commitments and contingencies (Notes 16 and 17)

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 2012	Actual 2012	Actual 2011
	$	$	$
Net financial assets, beginning of year	16,271	16,271	14,648
Items affecting net financial resources:			
Annual surplus	1,388	2,130	1,167
Acquisition of tangible capital assets	-	(339)	-
Amortization of tangible capital assets	101	143	70
Use of inventories held for use	(73)	(78)	63
Decrease in prepaid expenses	-	(23)	323
Net financial assets, end of year	**17,687**	**18,104**	**16,271**

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 2012	Actual 2012	Actual 2011
	$	$	$
Revenues			
Interest on loans receivable	2,650	2,078	2,521
Sales and other income	1,071	906	929
Interest on pooled cash (Note 4)	110	162	120
Dividends	10	28	36
Recovery of venture investments	10	50	135
	3,851	3,224	3,741
Government transfers (Note 14)	4,650	4,837	4,483
	8,501	8,061	8,224
Expenses (Note 15)			
Lending and investments	4,888	3,798	5,289
Retail and manufacturing	2,225	2,133	1,768
	7,113	5,931	7,057
Annual surplus	1,388	2,130	1,167
Accumulated surplus, beginning of year	**16,841**	**16,841**	**15,674**
Accumulated surplus, end of year	**18,229**	**18,971**	**16,841**

The accompanying note 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	2012	2011
	$	$
Operating transactions		
Cash received from:		
Governments	3,883	3,745
Customers	1,229	1,221
Interest	1,959	1,711
Dividends	6	18
	7,077	6,695
Cash paid for:		
Compensation and benefits	2,504	1,997
Payments to suppliers	1,747	1,582
Grants and contributions	243	200
	4,494	3,779
Cash provided by operating transactions	**2,583**	**2,916**
Capital transactions		
Acquisition of tangible capital assets	(217)	-
Cash used for capital transactions	**(217)**	**-**
Investing transactions		
Loans receivable disbursed	(5,352)	(7,017)
Loans receivable repaid	5,050	4,073
Redemptions of venture investments	63	141
Cash provided by (used for) investing transactions	**(239)**	**(2,803)**
Financing transactions		
(Repayment to) advance from the Government	(3,000)	2,700
Cash (used) provided by financing transactions	**(3,000)**	**2,700**
(Decrease) increase in cash	**(873)**	**2,813**
Cash, beginning of year	13,883	11,070
Cash, end of year	**13,010**	**13,883**

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

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 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 (the 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 enterprises based on need, providing contributions for business development projects, and purchasing tangible capital assets for the Corporation. The contributions 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 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 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 estimates approved by the FMB and the Corporation's board of directors. Other budgeted amounts have been approved by the Corporation's senior management. The Corporation did not have an approved consolidated budget prior to 2012.

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) of the Canadian Institute of Chartered Accountants (the CICA).

(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 periods. 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 life 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.	Sach's Harbour, NT	100%	May 12, 2011

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The non-controlling interest in the organization the Corporation does not wholly own is 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 Corporation's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the Corporation's previously absorbed losses are recovered. The Corporation has provided significant financial subsidies to Nahanni Butte General Store Ltd. for many years. The organization is financially dependent on these subsidies. The subsidy provided for fiscal 2012 was $125,000 (2011: $125,000). The Corporation expects to continue to provide financial subsidies to the organization.

Incorporation of a new company

On May 12, 2011, the Corporation incorporated a new organization, 6355 N.W.T. Ltd. The organization was formed to conduct the annual muskox harvest in Sachs Harbour. The Corporation holds one Class A common share, representing all the outstanding shares of 6355 N.W.T. Ltd. The organization's year end is March 31.

(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 4.

(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 estimated net realizable value.

(e) Loans receivable

Loans receivable are initially recorded at 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 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 performing status when all provisions for credit

2. Summary of significant accounting policies (continued)

(e) Loans receivable (continued)

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.

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 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 recoverable 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 recoverable values during the current period and is reduced by recoveries and loan write-offs.

(g) Venture investments

Venture investments are recorded 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 declared. 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.

2. Summary of significant accounting policies (continued)

(h) Assets held for sale

Assets held for sale are expected to be sold within one year. They are valued at the lower of cost or net realizable value. Cost includes amounts for improvements to prepare the assets for sale.

(i) 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 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.

(j) Government transfers

Government transfers are recognized in revenue when received, but any unspent portions must be repaid.

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

(k) 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 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.

(l) Environmental liabilities

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries.

2. Summary of significant accounting policies (continued)

(l) Environmental liabilities (continued)

The estimate of the liability is based on significant assumptions made by management, including: the likely action required to meet the appropriate legislation, regulations and industry practice; the nature and extent of past and present environmental concerns, and discount rates used. The estimate of the liability based on the above could be materially different if the key assumptions used by management for determination of the estimate vary from those planned.

(m) Tangible capital assets

Tangible capital assets are carried at cost less accumulated amortization. Amortization is recorded 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

Tangible capital assets 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.

(n) New accounting standards

i) **Recently adopted:** In June 2010, the PSAB approved new Section PS 3260, Liability for Contaminated Sites. This section comes into effect April 1, 2014 for government agencies. The Corporation early adopted this standard on April 1, 2011.

   In December 2010, the PSAB amended PS 3410, Government Transfers. The amendments are effective for fiscal years beginning on or after April 1, 2012. The main changes pertain to recognition criteria for government transfers by the transferee, affecting how the Corporation accounts for contribution income. The Corporation has elected to early adopt the amended standard on April 1, 2011.

ii) **Issued, not yet adopted:** In March 2011, the PSAB approved new Sections PS 2601, Foreign Currency Translation, PS 1201, Financial Statement Presentation, and PS 3450, Financial Instruments. These sections are effective on April 1, 2012 for government agencies and April 1, 2015 for Governments. The Corporation will adopt these standards effective April 1, 2012. The Corporation is determining the impact of the new standards.

3. Transition to PSAS

In previous fiscal years, the Corporation classified itself as a Government Business-Type Organization (GBTO) and followed the recommendations of the CICA Accounting Handbook – Part V. In October 2009, the PSAB determined that the category would cease to exist for fiscal years ending on or after January 1, 2011, and GBTOs were required to reclassify themselves in accordance with PSAS. In accordance with recommendations of the Public Sector Accounting (PSA) Handbook, the Corporation has determined that PSAS are the most appropriate framework for its reporting purposes.

3. Transition to PSAS (continued)

The adoption of PSAS is accounted for retroactively with restatement of prior period amounts.

The following are qualitative changes affecting the Corporation's consolidated financial statements:

- The Consolidated Balance Sheet has been replaced by the Consolidated Statement of Financial Position, segregating financial and non-financial assets, net financial assets (financial assets less liabilities); and accumulated surplus as at the Consolidated Statement of Financial Position date.
- The Consolidated Statement of Retained Earnings has been replaced by the Consolidated Statement of Change in Net Financial Assets, which includes the annual surplus or deficit and changes in non-financial assets. A comparison of the current year results with the budget is disclosed.
- The Consolidated Statement of Operations and Comprehensive Income has been replaced by the Consolidated Statement of Operations and Accumulated Surplus. Expenses are disclosed by major programs, and comparison of the current year results with the budget is disclosed.

The Corporation has elected to use the following exemption under PS 2125, First Time Adoption by Government Organizations:

Tangible capital asset impairment

Section PS 3150 indicates the conditions when a write-down of tangible capital assets should be accounted for. A first-time adopter need not comply with those requirements for write-downs of tangible capital assets that were incurred prior to the date of transition to PSAS. If a first time adopter uses this exemption, the conditions for a write-down of a tangible capital asset in PS 3150 are applied on a prospective basis from the date of transition.

Reconciliation between prior and current accounting standards

The following tables present the reconciliation of account balances and transactions from the CICA Accounting Handbook Part V (Part V) and PSAS:

i) Consolidated Statement of Financial Position as at April 1, 2010

	Foot-notes	Part V	Adjust-ments	PSAS
		$	$	$
Deferred subsidy contributions	A	1,063	(1,063)	-
Deferred capital contributions	B	1,835	(1,835)	-
Total liabilities		**2,898**	**(2,898)**	**-**
Contributed surplus		538	(538)	-
Retained earnings		12,238	(12,238)	-
Accumulated surplus		**-**	**15,674**	**15,674**

3. Transition to PSAS (continued)

Reconciliation between prior and current accounting standards (continued)

ii) Consolidated Statement of Financial Position as at March 31, 2011

	Foot-notes	Part V	Adjust-ments	PSAS
		$	$	$
Deferred subsidy contributions	A	663	(663)	-
Deferred capital contributions	B	2,068	(2,068)	-
Total liabilities		**2,731**	**(2,731)**	**-**
Contributed surplus		538	(538)	-
Retained earnings		13,572	(13,572)	-
Accumulated surplus		**-**	**16,841**	**16,841**

iii) Consolidated Statement of Operations and Accumulated Surplus for the year ended March 31, 2011:

	Foot-notes	Part V	Adjust-ments	PSAS
		$	$	$
Subsidy contribution	A	1,100	(400)	700
Capital contribution	B	-	233	233
Annual surplus		1,334	(167)	1,167

Notes to the reconciliation of Part V to PSAS

A) Reclassification of deferred subsidy contributions

Under Part V, government contributions for providing operating subsidies to the Corporation's organizations for the purpose of funding specific development projects were recognized as revenue in the year the subsidy was paid to the organization or the related business expenses were incurred.

Government contributions for making capital investments in the Corporation's organizations were recognized as revenue in the year the investment was made in the organization.

Unused contributions were carried forward to the following year and recorded as deferred subsidy contributions.

As a result of applying PS 3410 on government transfers, previously deferred subsidy contributions have retroactively been accounted for as revenue when received.

3. Transition to PSAS (continued)

B) Reclassification of deferred capital contributions

Under Part V, government contributions approved for purchasing capital assets for the Corporation or its organizations were recorded as deferred capital contributions and were recognized as revenue on the same basis as the amortization of the related capital assets.

As a result of applying PS 3410 on government transfers, previously deferred capital contributions have retroactively been accounted for as revenue when received.

4. 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 the Corporation's organizations 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 1.12% during the year (2011: 0.87%).

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 organizations and venture investments through approved drawdowns.

4. Cash (continued)

The Corporation is responsible for administering post employment benefits including the cash held. (Note 10b).

	000's		
	2012	2011	2010
	$	$	$
Cash held by the Corporation for operations	5,420	4,412	3,494
Cash held by the Corporation's organizations	1,089	1,064	684
Cash held for post employment benefits	405	378	-
	6,914	5,854	4,178
Venture Investment Fund	3,911	3,841	3,683
Capital Fund	873	1,301	1,201
Venture Reserve Fund	485	485	485
Subsidy Fund	460	663	1,063
Loans and Bonds Fund	220	1,634	370
Capital Reserve Fund	147	105	90
	6,096	8,029	6,892
	13,010	**13,883**	**11,070**

5. Inventories

	000's		
	2012	2011	2010
	$	$	$
Inventories held for resale:			
Arts and crafts	205	184	128
Public stores	161	156	123
Muskox products	137	-	-
Canvas products	82	160	236
	585	**500**	**488**
Inventories held for use:			
Materials and supplies	**231**	**153**	**217**

During the year, no inventories were written down (2011: 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 (2011: $3,000). Inventory write-downs and recoveries are included in the cost of goods sold.

6. 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. Two variable rate interest loans were approved during the year.

The Corporation charges its clients prime plus 2%, 3%, or 4%, depending on the security provided, management's 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					
			2012		**2011**		**2010**
		Rate	**Balances**	**Rate**	**Balances**	**Rate**	**Balances**
		%	**$**	**%**	**$**	**%**	**$**
Performing	1 year	5.00	218	4.35	18,661	5.46	1,170
loans due	1-2 years	6.25	729	-	-	4.41	20,762
within:	2-3 years	5.35	6,246	5.75	786	5.25	205
	3-4 years	5.39	6,107	5.40	6,339	7.25	572
	over 4 years	5.22	20,480	5.25	6,049	5.34	7,998
			33,780		31,835		30,707
Accrued loan interest receivable			167		152		147
Impaired loans			10,226		12,549		10,085
			44,173		44,536		40,939
Less: allowance for credit losses (Note 7)			6,432		7,464		6,253
			37,741		**37,072**		**34,686**

In 2012, nine loan accounts representing seven borrowers totalling $772,000 (2011: nil; 2010: nil) were written off by the Legislative Assembly. One loan account representing one borrower totalling $9,000 (2011: nil; 2010: $10,000) was written off by the Board of Directors. In 2012, eight accounts representing seven borrowers totalling $1,034,000 (2011: nil; 2010: $31,000) were forgiven by the Legislative Assembly. No accounts were forgiven by the FMB during the current year (2011: nil; 2010: nil). In 2012, recoveries on loans previously written off totalled $17,000 (2011: $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:

6. Loans receivable (continued)

Geographic concentration

	000's					
		2012		2011		2010
Region	Performing	Impaired	Performing	Impaired	Performing	Impaired
	$	$	$	$	$	$
South Slave	15,661	3,410	15,588	4,738	14,443	4,053
North Slave	6,671	5,039	7,011	5,199	8,788	3,879
Dehcho	6,664	482	4,441	544	2,976	591
Inuvik	2,471	503	2,235	983	1,666	1,054
Sahtu	2,313	792	2,560	1,085	2,834	508
	33,780	**10,226**	**31,835**	**12,549**	**30,707**	**10,085**

Enterprise concentration

	000's					
		2012		2011		2010
Enterprise	Performing	Impaired	Performing	Impaired	Performing	Impaired
	$	$	$	$	$	$
Retail trade	7,334	1,212	6,952	1,376	6,879	1,431
Construction	6,538	1,923	7,816	2,236	7,727	1,860
Accommodations, food and beverage	4,657	2,356	4,904	2,385	5,952	844
Transportation and storage	4,129	143	3,526	301	1,855	337
Wholesale trade	3,334	-	3,528	-	3,654	-
Real estates and rent-als	2,941	-	929	-	-	-
Other services	1,283	290	1,547	1,006	1,577	1,285
Travel and tourism	1,031	1,793	1,145	1,872	1,251	2,197
Manufacturing	777	-	806	-	873	-
Management of com-panies	611	-	-	-	-	-
Health care	386	-	-	-	-	-
Business services	361	-	390	-	-	-
Finance and insurance	201	913	230	1,044	775	529
Arts and craft	197	-	-	-	-	-
Oil and gas	-	1,307	-	1,503	-	773
Communication	-	152	3	184	53	225
Educational services	-	69	-	-	-	-
Fisheries and wildlife harvesting	-	58	-	632	40	604
Forestry and logging	-	10	59	10	71	-
	33,780	**10,226**	**31,835**	**12,549**	**30,707**	**10,085**

6. Loans receivable (continued)

The loans receivable balance contains loans, totalling $626,000, made to venture investees (2011: $927,000; 2010: $1,065,000). These loans are in addition to the venture investments shown in Note 8.

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

	000's		
Credit risk rating	**2012**	**2011**	**2010**
	$	**$**	**$**
Low	23,804	16,037	14,627
Medium	7,342	10,332	11,277
High	2,634	5,466	4,803
	33,780	**31,835**	**30,707**

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:

	000's		
Loans Past Due but not impaired	**2012**	**2011**	**2010**
	$	**$**	**$**
30 – 59 days	653	354	326
60 – 89 days	-	63	639
Over 90 days	51	-	12
	704	**417**	**977**

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 2012 (2011 and 2010: nil).

7. Allowance for credit losses

	2012	2011	2010
	000's		
	$	$	$
Balance, beginning of year	7,464	6,253	7,755
Provision for (recovery of) credit losses	499	1,551	(268)
Recoveries from repayments	(736)	(280)	(1,193)
Reduction for property acquired in settlement of loans (Note 9)	-	(60)	-
Write-offs and forgiveness (Note 6)	(795)	-	(41)
Balance, end of year	**6,432**	**7,464**	**6,253**
Comprised of:			
Specific allowance	5,756	6,828	5,639
General allowance	676	636	614
	6,432	**7,464**	**6,253**

8. 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, 2012, the Corporation does not have significant influence in the companies in which it has invested.

	2012	2011	2010
	000's		
	$	$	$
Balance, beginning of year	104	110	137
Recoveries	50	135	-
Redemptions	(63)	(141)	(27)
Balance, end of year	**91**	**104**	**110**

The total cumulative venture investments at March 31, 2012 was $2,034,000 (2011: $2,097,000; 2010: $2,238,000) with accumulated write downs of $1,943,000 (2011: $1,993,000; 2010: $2,128,000)

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.

9. Asset held for sale

The asset held for sale is real property acquired in fiscal 2011 in settlement of a loan receivable. A write down of $22,000 was recorded during the year.

10. Post employment benefits

(a) Pension benefits

Substantially all of the employees of the Corporation are covered by the Plan (note 2(k)(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 general contribution rate effective at year end was 2.00%, (2011: 2.00%). The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions to the Plan for the year were as follows:

	000's	
	2012	2011
	$	$
Corporation's contributions	262	266
Employees' contributions	112	114

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 inflation.

(b) Termination and removal benefits

The Corporation provides termination benefits to employees based on years of service and final salary (note 2(k)(i)). 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	
	2012	2011	2010
	$	$	$
Post employment benefits, beginning of year	378	374	324
Cost for the year	27	4	50
Post employment benefits, end of year	**405**	**378**	**374**

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 (2011 and 2010: $45 million) as at March 31, 2012.

11. 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 2.1% (2011: 1.5% to 2.5%; 2010: 1.4% to 2.0%) during the year.

12. Asset retirement obligations

	000's		
	2012	2011	2010
	$	$	$
Balance, beginning of year	97	92	122
Accretion expense	9	5	5
Disposals during the year	(1)	-	(37)
Additions during the year	-	-	2
Balance, end of year	**105**	**97**	**92**

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.

13. Environmental liability

The Corporation has recorded its best estimate of anticipated future costs for environmental remediation related to a property owned by one of its organizations which incurred an oil leak on its property. The Corporation engaged an engineering firm to conduct a Phase1 Environmental Site Assessment of the property. The estimate of the liability is based on information received from the environmental firm and is management's best estimate as at the year end date.

	000's		
	2012	2011	2010
	$	$	$
Balance, beginning of year	-	-	-
Payments	-	-	-
Accretion expense	-	-	-
Estimate revisions	35	-	-
Balance, end of year	**35**	**-**	**-**

14. Government transfers

	000's					
	2012			2011		
	Lending	Retail/ Manufacturing	Total	Lending	Retail/ Manufacturing	Total
	$	$	$	$	$	$
Government:						
Operations and maintenance	2,733	980	**3,713**	2,648	735	**3,383**
Services received without charge (Note 19)	842	112	**954**	738	-	**738**
Capital contributions	71	-	**71**	275	-	**275**
	3,646	1,092	**4,738**	3,661	735	**4,396**
Federal programs	99	-	**99**	87	-	**87**
	3,745	**1,092**	**4,837**	**3,748**	**735**	**4,483**

15. Expenses by object

	000's					
			2012			2011
	Lending	Retail/ Manufacturing	Total	Lending	Retail/ Manufacturing	Total
	$	$	$	$	$	$
Accretion	2	7	**9**	3	2	**5**
Advertising and promotion	7	27	**34**	11	23	**34**
Amortization	7	136	**143**	21	49	**70**
Bad debts (recovery)	-	2	**2**	-	(11)	**(11)**
Bank charges and interest	2	21	**23**	2	18	**20**
Board members	38	3	**41**	53	3	**56**
Business Development Fund	243	-	**243**	200	-	**200**
Business Service Centre	86	-	**86**	70	-	**70**
Computers and communications	15	21	**36**	17	21	**38**
Cost of goods sold	-	656	**656**	-	634	**634**
Interest expense	469	-	**469**	635	-	**635**
Office and general	126	121	**247**	119	62	**181**
Professional services	85	103	**188**	66	74	**140**
Provision for environmental liability	-	35	**35**	-	-	**-**
(Recovery of) provision for credit losses, net	(238)	-	**(238)**	1,211	-	**1,211**
Rent	216	22	**238**	215	15	**230**
Salaries and benefits	2,636	673	**3,309**	2,559	659	**3,218**
Supplies	-	67	**67**	-	15	**15**
Training and workshops	16	-	**16**	25	14	**39**
Travel	66	109	**175**	82	29	**111**
Utilities	-	130	**130**	-	161	**161**
Write down of asset held for sale	22	-	**22**	-	-	**-**
	3,798	**2,133**	**5,931**	**5,289**	**1,768**	**7,057**

16. Commitments

As at March 31, 2012, loans to businesses, approved but not yet disbursed, totalled $4.9 million at a weighted average interest rate of 5.1% (2011: $3.3 million at a weighted average interest rate of 5.3%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2012, contributions to businesses approved but not yet disbursed totalled $34,000 (2011: $35,000).

17. Contingencies

The Corporation has four outstanding loans to two Northern Community Futures organizations for their own lending purposes totalling $913,000 (2011: $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 Northern Community Futures organization loan balance and would attempt to recuperate its loss. In 2012, no accounts were assigned to the Corporation (2011: $41,000).

Letters of credit

The Corporation has four outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled $2,250,000 and expire in 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 $nil. In 2011, the Corporation paid out $100,000 to a third party and recorded the amount as a loan receivable and no amount has been recorded as a liability.

18. 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		
	2012	2011	2010
	$	$	$
Revenues			
Sales	28	74	
Government transfers	4,837	4,483	
Expenses			
Purchases	255	109	
Interest	469	635	
Balances at year end			
Accounts receivable	11	47	28
Accounts payable and accrued liabilities	220	162	12
Advances from the Government	32,203	34,765	31,554

19. 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	
	2012	2011
	$	$
Staff support	740	524
Accommodation	214	214
	954	**738**

20. Budgeted figures

Budgeted figures have been derived from the estimates 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.

Prior to 2012, consolidated budgets were not prepared. 2011 budgeted figures were prepared for the Corporation for certain, but not all revenues and expenses. Where budgeted revenue and expense figures are available for the Corporation, they are disclosed. 2011 budgets for the organizations were not prepared. There was no 2011 budget prepared for Changes in Net Financial Assets.

The budget figures are provided for comparison purposes.

The 2012 budgeted revenues are disclosed on the Consolidated Statement of Operations and Accumulated Surplus.

The 2011 budgeted revenues which the Corporation budgeted for, on the same basis that actual revenues are reported, are as follows:

	000's
	$
Interest on pooled cash	40
Dividends	15
Recovery of venture investments	-

20. Budgeted figures (continued)

The 2012 and 2011 budgeted expenses are as follows:

	000's					
			2012			2011
	Lending	Retail/ Manu-facturing	Total	Lending	Retail/ Manu-facturing	Total
	$	$	$	$	$	$
Accretion	5	17	**22**	-	-	**-**
Advertising and promotion	65	26	**91**	65	-	**65**
Amortization	18	78	**96**	-	-	**-**
Bad debts (recovery)	-	21	**21**	-	-	**-**
Bank charges and interest	-	23	**23**	-	-	**-**
Board members	95	3	**98**	90	-	**90**
Business Development Fund	300	-	**300**	200	-	**200**
Computers and communications	110	24	**134**	98	-	**98**
Cost of goods sold	-	763	**763**	-	-	**-**
Freight and courier	-	73	**73**	-	-	**-**
Interest expense	520	-	**520**	-	-	**-**
Office and general	75	38	**113**	75	-	**75**
Professional services	200	111	**311**	160	-	**160**
Provision for credit losses, net	500	-	**500**	-	-	**-**
Rent	230	17	**247**	-	-	**-**
Repairs and maintenance	-	28	**28**	-	-	**-**
Salaries and benefits	2,670	628	**3,298**	2,150	-	**2,150**
Supplies	-	75	**75**	-	-	**-**
Travel	100	130	**230**	95	-	**95**
Utilities	-	170	**170**	-	-	**-**
	4,888	**2,225**	**7,113**	**2,933**	**-**	**2,933**

The 2012 and 2011 actual results are disclosed in Note 15.

21. Comparative figures

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

22. Subsequent event

In June 2012, the Corporation's store in Nahanni Butte experienced extensive mechanical, electrical, plumbing, and structural damage caused by a flood in the community. As of September 2012, the Corporation incurred $244,000 in cleanup costs and lost an estimated $75,000 in groceries and $12,000 of equipment. The Corporation is investigating options related to repairing the building, relocating, and determining the availability of funding.

Northwest Territories Business Development and Investment Corporation

Consolidated Schedule of Tangible Capital Assets

Schedule A
000's

	Land	Buildings	Equipment	Leasehold Improve-ments	Computer Equipment	Vehicles	March 31, 2012	March 31, 2011	April 1, 2010
	$	$	$	$	$	$	$	$	$
Cost of tangible capital assets, opening	82	4,072	720	247	31	50	5,202	5,202	5,749
Acquisitions	-	-	137	202	-	-	339	-	377
Disposals	-	-	-	-	1	-	1	-	924
Cost of tangible capital assets, closing	82	4,072	857	449	30	50	5,540	5,202	5,202
Accumulated amortization, opening	-	3,830	708	176	29	50	4,793	4,724	5,377
Amortization expense	-	19	44	78	2	-	143	69	55
Disposals	-	-	-	-	1	-	1	-	708
Accumulated amortization, closing	-	3,849	752	254	30	50	4,935	4,793	4,724
Net book value	**82**	**223**	**105**	**195**	**-**	**-**	**605**	**409**	**478**