BDIC NWT

BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION

2013-2014 Annual Report

NWT Business Development and Investment Corporation

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TABLE OF CONTENTS

BDIC NWT

MESSAGE FROM THE CHAIR AND CEO

As the Northwest Territories Business Development and Investment Corporation (BDIC) embarks on its 10th year of operations, we are pleased to provide the Minister Responsible for the BDIC with the 2013/14 Annual Report. We have had an exciting year, implementing our strategies for supporting the economic development goals of the Government of the Northwest Territories (GNWT).

Our Contribution Program continues to be popular, being oversubscribed for the 3rd year in a row and setting a new record in approvals of $286,000. The program also reaches a section of the economy not traditionally reached through other economic development funding, with close to 80% of the recipients not receiving funding from other GNWT economic development programs. The Credit Facilities Program also saw increased demand in 2013/2014 with $5.4 million in approved credit facilities compared to $2.6 million in the previous year.

Our Subsidiary and Venture Investment Programs continue to support employment in the smaller communities, with 36.5 direct, full time equivalent jobs being maintained plus an additional 5 jobs were indirectly maintained. This year we've added a Product Promotions Specialist who works directly with our subsidiaries and private retailers in a push to expand our distribution network. We now have our products in stores in 11 of Canada's 13 provinces and territories and expect to have all 13 by the end of next year. Midway through the year, the BDIC sold the Nahanni Butte General Store to the community, fulfilling the Subsidiary Program goal of facilitating community ownership.

This year, Canada Business NWT (CBNWT) has made progress expanding its video conference sessions to be available online. In 2013/14, CBNWT hosted 60 different online learning seminars which had over 175 participants. It has also continued delivering its services online and over the phone to reach residents across the NWT.

In order to have a full and sustainable economic future, the GNWT aims to have a strong, diversified economy that reduces its reliance on any single sector. Through strategic investments across many sectors and communities, as well as supporting the traditional economy, we see the BDIC as very well-positioned to help in achieving this vision.

Pawan Kumar Chugh

Pawan Chugh
Chief Executive Officer

Darrell Beaulieu
Chairperson

CORPORATE OVERVIEW

The Honourable David Ramsay

Minister Responsible for the BDIC

AUDIT COMMITTEE

Denise Yuhas, Fort Smith, Chairperson
Joanne Deneron, Fort Liard, Vice Chairperson
Louise Lavoie, Yellowknife
Denny Rodgers, Inuvik
John Hazenberg, Yellowknife

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

Pawan Chugh

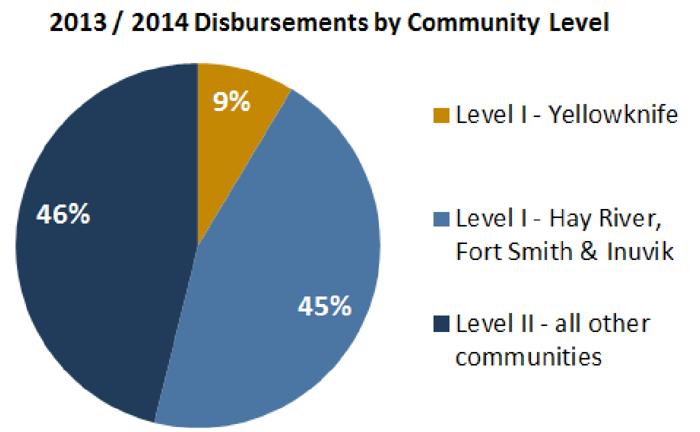
Chief Executive Officer

OVERVIEW OF THE BDIC

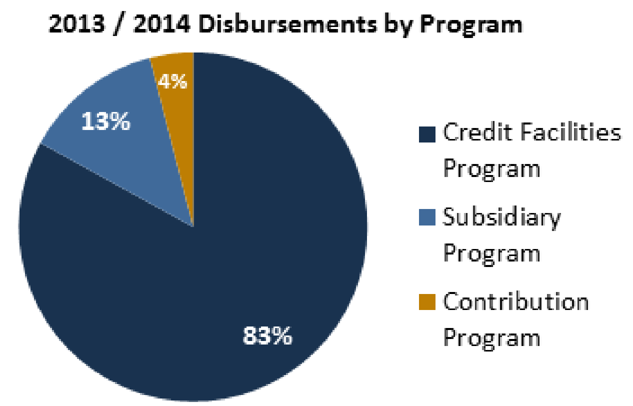
On April 1, 2005, the Northwest Territories Business Development & Investment Corporation (BDIC) was established with the passing of the BDIC Act, resulting in the merger of the Northwest Territories Development Corporation and the Northwest Territories Business Credit Corporation. The BDIC Act outlines the mandate of the corporation as being to support the economic objectives of the Government of the Northwest Territories (GNWT) in a manner that benefits the people and the economy of the Northwest Territories.

The BDIC provides debt and equity financing and contributions to northern businesses. The BDIC's equity financing can be generalized into two different types: preferred shares in externally owned and managed companies (known as the Venture Investment Program) and common shares in BDIC owned and managed businesses (known as the Subsidiary Program). Additionally, the BDIC offers business support services to northern businesses across the NWT. The BDIC's aim is to make its programs and services complementary, thereby assisting clients at any stage in their development with the support needed to meet their goals.

In 2013/2014, the BDIC disbursed $4.97 million dollars in loans, subsidies and contributions, of which the largest portion was disbursed in Level II (46%) communities. Level I communities, excluding Yellowknife, made up the second largest proportion of disbursements (45%) whereas Yellowknife made up the smallest proportion (9%).



The Credit Facilities Program is the largest component (83%) of the BDIC's disbursements, followed by the Subsidiary Program (13%) and the Contribution Program (4%).



The BDIC provides business support services through Canada Business NWT which is a part of the nationwide Canada Business Network. It offers services such as a business resource library, business learning sessions, and business workstations providing computers, phone and fax services.

Operationally, the Credit Facilities, Contribution, Subsidiary and Venture Investment Programs, in addition to Canada Business NWT, are delivered from the BDIC headquarters in Yellowknife. The GNWT's Department of Industry, Tourism & Investment (ITI) assists in the delivery of the Credit Facilities Program within the regions.

Highlights for 2013/2014

- Approved loans totalling $5,421,000
- Loan repayments totalling $7,558,000
- Approved 37 BDPF contributions totalling $286,000
- BDIC Subsidiary Program maintained 13.5 full-time equivalent jobs
- BDIC Subsidiary Program supported 144 craft producers totalling $170,000 in purchases
- 290 visitors to Canada Business NWT
- Over 9,400 online visitors to BDIC.ca
- Over 1,100 visitors to Canada Business NWT website

CREDIT FACILITIES PROGRAM

The BDIC's credit facilities portfolio was approximately $49.1 million (including $6.5 million of interest not recognized as revenue) with $5.4 million of approved facilities in the 2013/14 fiscal year. Its loan portfolio is skewed towards Level II and other smaller NWT communities on a per capita basis with few traditional banking options as noted in the table below.

Community Level	# of Banks	% of Population*	Current Portfolio
Level I, excluding Yellowknife	4	23%	$20.6 million (42.0%)
Level II	2	30%	$14.3 million (29.1%)
Yellowknife	5	47%	$14.2 million (28.9%)

The following credit facilities are available to BDIC clients:

Loan Facilities

- General Term Loans – the BDIC provides clients who may not be able to secure bank financing with term loans with customized and non-standard repayment terms that fit with their financing needs.
- Winter and Summer Resupply Loans – the BDIC provides resupply loans for clients in communities where there is no all season road access. These are short term loans that allow clients to take advantage of winter road or barge access to maintain necessary supplies to operate their business.
- Seasonal Production Loans – the BDIC provides short term financing for artists, craft makers and harvesters to acquire supplies necessary to make or harvest products for their business.

Standby Letter of Credit Facilities

- Standby Letters of Credit - the BDIC provides standby letters of credit to enable clients to secure contract bids or provide security to suppliers through assurance of payments to third parties. Standby by letters of credit may be issued for up to a 5 year period.

Guarantee Facilities

- Working Capital Guarantees - the BDIC provides working capital guarantees as security to assist clients in obtaining working capital financing for their business through conventional banks. This enables small businesses with limited funds to operate successfully while building a relationship with a traditional financing source.

SUBSIDIARY PROGRAM

The BDIC's Subsidiary Program is based on facilitating community ownership and supporting local subsidiary boards with the BDIC providing centralized functions in general operational support, accounting and marketing. In 2013/2014, the BDIC operated six active subsidiaries:

- Acho Dene Native Crafts Ltd.
- Arctic Canada Trading Company Ltd.
- Dene Fur Clouds Ltd.
- 910344 NWT Ltd. operating as Fort McPherson Tent and Canvas
- Nahanni Butte General Store Ltd.
- 5983 NWT Ltd. operating as Ulukhaktok Arts Centre

Three of the BDIC's subsidiaries are involved in traditional fine arts and crafts and the use of traditional materials, all of which support the local communities. The subsidiaries deal with markedly different product lines and are located in different and unique NWT regions. The BDIC, through the Arctic Canada Trading Company Ltd., markets the subsidiaries' arts and crafts across Canada through 30 outlets across Canada, as well as in Alaska. The BDIC also promotes each subsidiary and their products through branding, advertising and distribution by way of web design and support, e-commerce and promotional videos in addition to brochures, sales, and attendance at tradeshows.

In 2013/2014, the BDIC's subsidiaries maintained 13.5 direct employment positions and indirectly sustained an additional two positions as well as supported 144 cottage craft producers.

As testament to the success of the Subsidiary Program, as of September 27, 2013, the BDIC successfully divested the Nahanni Butte General Store Ltd. to the community of Nahanni Butte.

George Deneyoua of Dene Fur Clouds trimming beaver hides.

Ulukhaktok
Arts Centre

Location: Ulukhaktok, NT
Ulukhaktok.com

The Ulukhaktok Arts Centre is a Ulukhaktok based company that is involved in the production and sale of carvings, prints and knitted products made in the community. The company employs two part-time people and supports 80 individual artists in the community by buying their art for re-sale.

Percentage of Ulukhaktok residents involved in the production of arts and crafts*:	30.8%
Percentage of NWT residents involved in the production of arts and crafts*:	8.7%
Money paid to producers by Ulukhaktok Arts Centre**:	$86,000
Direct jobs maintained by the Ulukhaktok Arts Centre**:	0.86

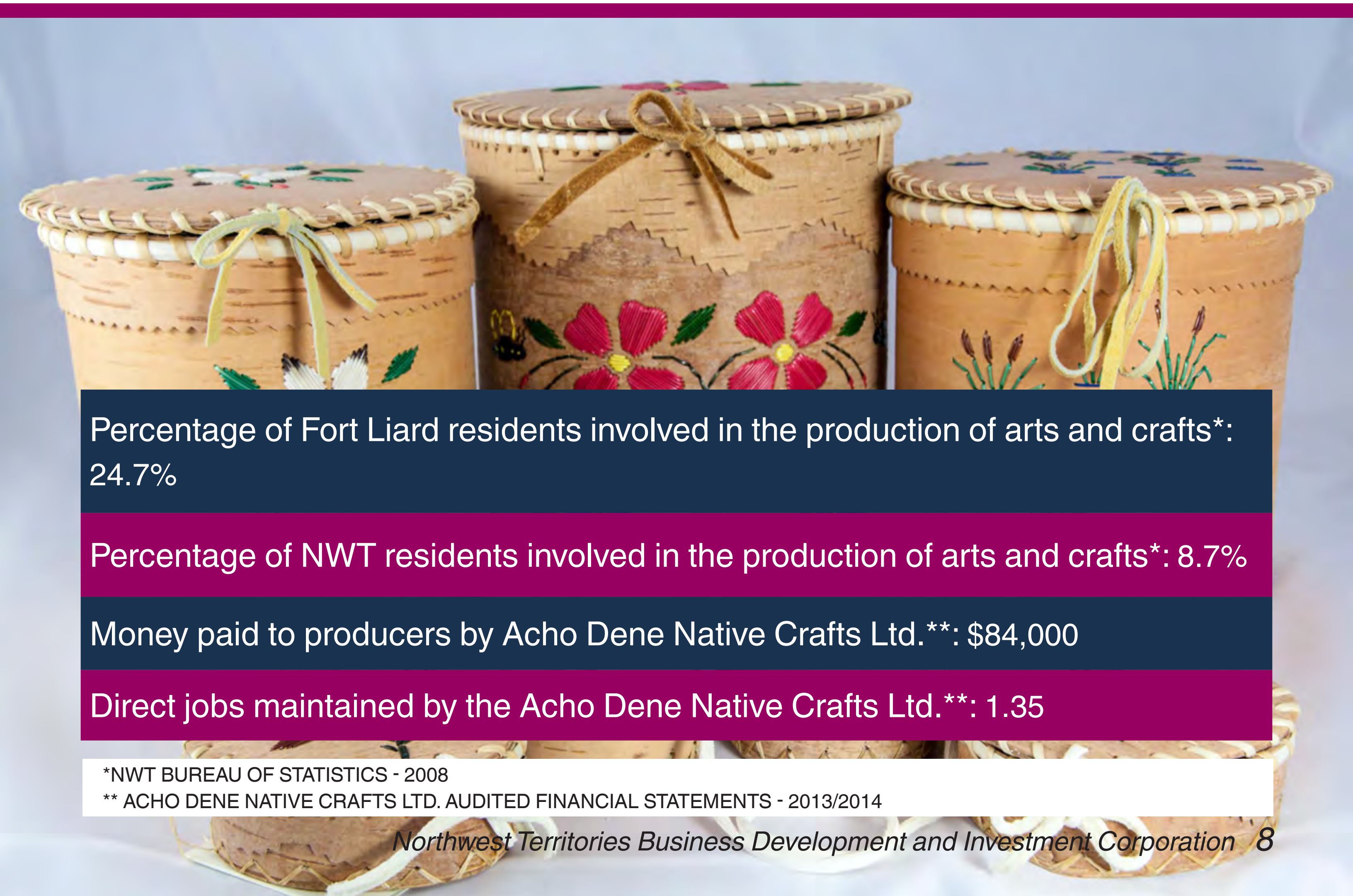
* NWT BUREAU OF STATISTICS - 2008 ** 5983 N.W.T. LTD. AUDITED FINANCIAL STATEMENTS - 2013/2014

Acho Dene Native Crafts

Location: Fort Liard, NT

Adnc.ca

Acho Dene Native Crafts is a Fort Liard based company that is involved in the manufacturing and sales of clothing, jewellery accessories, souvenirs, baskets and other birch bark items made in the community. The company employs one full-time and three part-time staff, as well as supports 64 individual producers in the community by buying their products for re-sale.



Percentage of Fort Liard residents involved in the production of arts and crafts*: 24.7%

Percentage of NWT residents involved in the production of arts and crafts*: 8.7%

Money paid to producers by Acho Dene Native Crafts Ltd.**: $84,000

Direct jobs maintained by the Acho Dene Native Crafts Ltd.**: 1.35

*NWT BUREAU OF STATISTICS - 2008

** ACHO DENE NATIVE CRAFTS LTD. AUDITED FINANCIAL STATEMENTS - 2013/2014

Dene Fur Clouds

Location: Fort Providence, NT

DeneFurClouds.com

Dene Fur Clouds is a Fort Providence based company that produces garments using sheared beaver, arctic hare, fox and lynx harvested mostly through the Genuine Mackenzie Valley Fur Program. The fur is sustainably caught and the processes used by Dene Fur Clouds Ltd. result in environmentally friendly renewable garments. Dene Fur Clouds Ltd. employs seven people in the community of Fort Providence, comprising one full-time and six part-time employees.

Non-government jobs in Fort Providence*: 110

Direct jobs maintained by Dene Fur Clouds Ltd.**: 4.69 (1 full-time / 6 part-time)

*NWT BUREAU OF STATISTICS - 2009: LEVEL OF LEVEL OF EMPLOYMENT IN NON-GOVERNMENT POSITIONS INCLUDING HEALTH, SOCIAL SERVICES AND EDUCATION

**DENE FUR CLOUDS LTD. AUDITED FINANCIAL STATEMENTS - 2013/2014

Fort McPherson
Tent & Canvas

Location: Fort McPherson, NT

FortMcPhersonTent.com

Fort McPherson Tent and Canvas (FMTC) produces canvas tents, tipis, bags, backpacks and other canvas products. In 2013/14, FMTC sold $288,000 in products through its online platform and the Fort McPherson storefront. All production is done in the Fort McPherson shop by part-time employees. In 2013/14, over 10,000 hours of direct local labour was used to create and sell FMTC products.

Non-government jobs in Fort McPherson*: 93

Direct jobs maintained by FMTC**: 5.95 (1 full-time / 26 part-time)

*NWT BUREAU OF STATISTICS - 2009: LEVEL OF EMPLOYMENT IN NON-GOVERNMENT POSITIONS INCLUDING HEALTH, SOCIAL SERVICES AND EDUCATION

**FMTC AUDITED FINANCIAL STATEMENTS - 2013/2014

VENTURE INVESTMENT PROGRAM

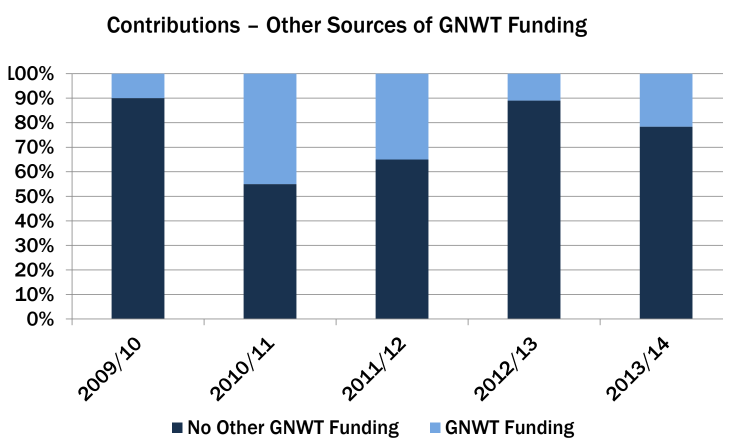
The Venture Investment Program is an equity financing program in which the BDIC invests in a client's business in return for preferred shares. The client pays dividends to the BDIC and buys back the preferred shares over time. Funding under this program is tied to the number of jobs to be created or maintained by the business.

At the end of 2013/2014, the BDIC's Venture Investment Program portfolio totalled $1.47 million and maintained 24 direct employment positions and indirectly maintained three positions.

Going forward, the BDIC envisions a revised and innovative Venture Investment Program tailored to new, existing and small northern businesses. The industries targeted will include new technology, manufacturing and production processes, equipment, retooling, micro-financing and investment.

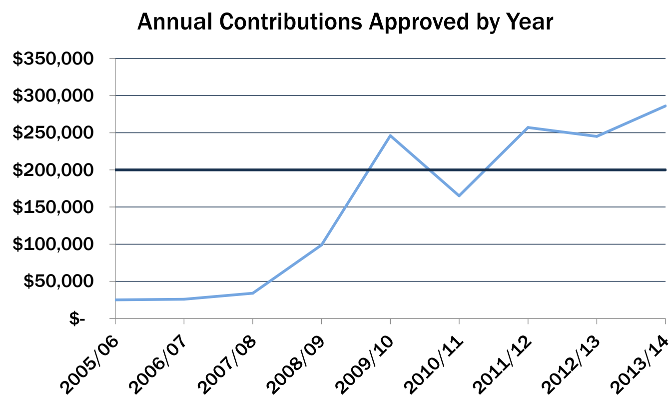
CONTRIBUTION PROGRAM - BUSINESS DEVELOPMENT PROJECT FUND (BDPF)

The BDIC offers contribution (BDPF) funding to businesses, arts and crafts persons and harvesters. BDPF funds are available for start-up and expansion projects including feasibility assessments, product development, preparation of marketing and business plans and pilot projects. Approved businesses are eligible for $10,000 in Level I communities or $20,000 in Level II communities over a five year period. Many BDPF clients receive no other government funding as noted in the table below.



As part of BDPF, the BDIC also supports businesses with "aftercare funding". Aftercare funding enables existing clients to purchase necessary business software, access business-related training and education such as accounting, and obtain succession planning services and advice. The BDIC will also provide travel costs for clients to attend educational seminars promoted by the BDIC. Businesses in Level I communities are eligible for $2,500 in funding over the life of the business and businesses in Level II communities are eligible for $5,000.

In 2013/2014, the BDPF Program was oversubscribed with the BDIC approving approximately $286,000 of the $477,000 of BDPF applications. With the exception of 2010/2011, the interest in the Contribution Program has increased yearly as noted in the graph below.



BUSINESS SUPPORT SERVICES

The BDIC provides business support services to new and existing clients through Canada Business NWT (CBNWT). The CBNWT is delivered within the BDIC and operates in partnership with the Canadian Northern Economic Development Agency (CanNor). CBNWT's mission is to contribute to economic growth by ensuring business people across the NWT have access to accurate, timely and relevant business information through a convenient single window. CBNWT also partners with NWT Community Futures Development Corporations (CFDCs) to offer regional access points for businesses. There is at least one access point located in each region of the NWT. These regional access points offer computer, internet access and business resources for clients.

Business services available include:

- A business resources library that is indexed online so that clients from any community can order a book/business resource and have it mailed to them
- 1-800 number that any client in any community can call to get business information specific to their region
- *How to start a business in the NWT* – an online guide to starting a business in the NWT
- CanadaBusiness.ca – content created and managed by CBNWT specifically for NWT residents
- Video conference sessions available through CFDCs and webcast to remote communities
- Services such as administration services and business planning resources available in person through the BDIC, CFDCs and partner organizations
- Coordination of Small Business Week in partnership with business stakeholders
- In partnership with ITI and CanNor, the BDIC co-hosts the Northern Economic Development Practitioner Conference which is a biannual meeting of northern economic development officers from across all of the NWT regions

DISBURSEMENTS

The BDIC disbursed funds to the following NWT businesses during the 2013-2014 fiscal year.

Name of Business	Owners	Community	Program	Total Amount Disbursed
5983 NWT Ltd. (o/a Ulukhaktok Arts Centre)	BDIC	Ulukhaktok	Subsidiary	$50,000
913044 NWT Ltd. (o/a Ft. McPherson Tent and Canvas)	BDIC	Fort McPherson	Subsidiary	$300,000
Acho Dene Native Crafts Ltd.	BDIC	Fort Liard	Subsidiary	$125,000
Dene Fur Clouds Ltd.	BDIC	Fort Providence	Subsidiary	$100,000
Arctic Canada Trading Company Ltd.	BDIC	Yellowknife	Subsidiary	$50,000
Kerry's Savage and Firewood	Smith, Kerry	Yellowknife	Credit	$43,000
Diamond Drycleaners	Cousineau, Candace and Cousineau, Dominique	Yellowknife	Credit	$215,000
Deninu K'ue Development Corporation Ltd.	Deninu K'ue First Nation	Fort Resolution	Credit	$120,000
5366 NWT Ltd. (o/a Lou's Small Engine)	Walterhouse, Blaine and Walterhouse, Stella	Fort Smith	Credit	$826,000
Dezron Promotional Advertising	McDonald, Meika	Fort Smith	Credit	$494,500
Eagle 88 Enterprises Ltd.	Benoit, Raymond L.; Benoit, Lucie and Benoit, Mark	Hay River	Credit	$870,972
Hobart & Moms Inc.	Hobart, Jane and Hobart, John	Fort Smith	Credit	$50,000
506739 NWT Ltd (o/a Lisa's Place)	Thurber-Tsetso, Elizabeth	Enterprise	Credit	$585,000
Yamouri Inn Ltd.	Guther, Peter; Irish, Doug; Irish, Sarah, and Tremblay, Lorraine	Norman Wells	Credit	$667,617
Johnson, Ivan W.	Johnson, Ivan W.	Fort Simpson	Credit	$14,936
Community Futures Development Corp. of the Dehcho	Community Futures Corporation - Ft. Simpson local board	Fort Simpson	Credit	$250,000
Falling Tree Productions	Cox, Mary	Yellowknife	Contribution	$4,385

DISBURSEMENTS

506515 NWT Ltd. (o/a Diamond Storage)	Sibbeston, Jerald and Sibbeston, Nick	Yellowknife	Contribution	$2,019
RAD New Media	Marsh, Brandon	Yellowknife	Contribution	$2,206
Maximum Limit Productions	Bloudov, Maxim	Yellowknife	Contribution	$8,150
DRW & Associates	Wasylciw, David	Yellowknife	Contribution	$7,581
Arctic Home Mortgages Limited	Matheson, Stuart	Yellowknife	Contribution	$11,339
Open Water Charters inc.	Palme, Peter	Yellowknife	Contribution	$9,050
Diamond Sewing Services	Merrall, Marie	Yellowknife	Contribution	$7,906
X1A Productions	McCreadie, Allister James	Yellowknife	Contribution	$9,995
CN Computing	Deguise, Cedric	Yellowknife	Contribution	$6,524
Fundamentals Unlimited!	Coad, Julie	Yellowknife	Contribution	$10,000
Ulia International Inc.	Tito, Mizanur	Yellowknife	Contribution	$10,000
Jerrie's Delivery Services	Dithubide, Edward	Yellowknife	Contribution	$8,943
Writing North	Maitland, Sandra	Yellowknife	Contribution	$4,160
JP Catering	Kaulback, James and Matwiy, Paul	Yellowknife	Contribution	$9,716
Happy Pooch	Hanna, Tiarella	Yellowknife	Contribution	$699
Best Movers (RCM Transport)	Mufandaedza, Chenayimoyo	Yellowknife	Contribution	$6,769
Information Technology NWT	Engen, Gerald	Hay River	Contribution	$7,281
Steadyflow Plumbing Services	McLeod, Scotty	Fort Providence	Contribution	$20,552
506739 NWT Ltd (o/a Lisa's Place)	Thurber-Tsetso, Elizabeth	Enterprise	Contribution	$4,088
J & L Transport Ltd.	Gruben, Peter and Louie, Peter	Tuktoyaktuk	Contribution	$20,000
Villebrun, Greta	Villebrun, Greta	Tsiigehtchic	Contribution	$2,226
Cornerstone Oilfield Services	Doctor, Benny and Iliopoulos, George	Tulita	Contribution	$590
Far North Paintball	Fraser, Taylor	Tulita	Contribution	$11,519
SSR Contracting	Unka, Rueben	Fort Simpson	Contribution	$1,364
Edehzie Ventures	Norwegian, Herb	Fort Simpson	Contribution	$20,000
				Total: $4,969,086

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

For the year ended

March 31, 2014

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 Kumar Chugh

Pawan Chugh
Chief Executive Officer

Leonard Kwong
Director, Finance and Subsidiaries

August 22, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

Guy LeGras, CA
Principal
for the Auditor General of Canada

22 August 2014
Edmonton, Canada

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements (March 31, 2014)

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Financial Position (000's)

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

Commitments and contingencies (Notes 14 and 15)

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

Approved by:

Darrell Beaulieu
Chairperson of the Board of Directors

Denise Yuhas
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Change in Net Financial Assets (000's)

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

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

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Operations and Accumulated Surplus (000's)

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

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

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Cash Flows (000's)

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

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

1. The Corporation

(a) Authority

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

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

(b) Mandate

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

(c) Government transfers and advances

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

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

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

(d) Taxes

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

(e) Budget

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

2. Summary of significant accounting policies

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

(a) Measurement uncertainty

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

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

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

(b) Principles of consolidation

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

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

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

(c) Cash

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

(d) Inventories

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

(e) Loans receivable

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

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

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

2. Summary of significant accounting policies (continued)

(e) Loans receivable (continued)

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

(f) Allowance for credit losses

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

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

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

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

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

(g) Venture investments

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

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

There is no active quoted market.

(h) Asset retirement obligations

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

2. Summary of significant accounting policies (continued)

(h) Asset retirement obligations (continued)

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

(i) Government transfers

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

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

(j) Employee future benefits

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

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

(k) Tangible capital assets

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

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

2. Summary of significant accounting policies (continued)

(k) Tangible capital assets (continued)

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

(l) Financial instruments

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

(m) Non-financial assets

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

(n) Segment disclosure

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

3. Cash

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

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

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

3. Cash (continued)

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

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

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

4. Inventories

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

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

5. Loans receivable

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

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

Loans receivable are expected to mature as follows:

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

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

Concentration of credit risk

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

5. Loans receivable (continued)

Enterprise concentration

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

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

Geographic concentration

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

5. Loans receivable (continued)

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

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

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

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

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

6. Allowance for credit losses

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

7. Venture investments

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

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

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

Preferred shares and dividends

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

8. Post-employment benefits

(a) Pension benefits

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

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

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

(b) Termination and removal benefits

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

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

9. Advances from the Government

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

9. Advances from the Government (continued)

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

10. Asset retirement obligations

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

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

11. Sale of Nahanni Butte General Store Ltd.

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

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

12. Government transfers

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

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

13. Expenses by object

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

14. Commitments

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

15. Contingencies

Loans

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

Letters of credit

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

16. Related party transactions

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

16. Related party transactions (continued)

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

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

17. Services received without charge

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

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

18. Budgeted figures

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

The 2014 and 2013 budgeted expenses are as follows:

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

19. Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations.

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

19. Risk Management (continued)

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

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

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

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

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

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

Interest rate risk

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

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

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

19. Risk Management (continued)

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

Liquidity risk

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

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

20. Subsequent events

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

21. Comparative figures

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

Northwest Territories Business Development and Investment Corporation

Consolidated Schedule of Tangible Capital Assets

Schedule A
000's

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