TABLED DOCUMENT 280-18(3) TABLED ON OCTOBER 30, 2018

BDIC NWT
BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION

Northwest Territories Business Development and Investment Corporation

2017-18 ANNUAL REPORT

SID TNO
Société d'investissement et de développement des Territoires du Nord-Ouest

HEAD OFFICE

#701, 5201 – 50th Avenue
Yellowknife NT X1A 3S9
Telephone: (867) 767-9075
Fax: (867) 765-0652
Toll free: 1-800-661-0599

www.bdic.ca

bdicinfo@gov.nt.ca

BDIC NWT
BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION

TABLE OF CONTENTS

1. Executive Summary
2. Corporate Overview

2. Minister, Chair and CEO
3. Board of Directors
3. Audit Committee
3. Management
4. Overview of the BDIC

6. Programs and services

6. Credit Facilities Program
7. Venture Investment Program
8. Subsidiary Program
10. Subsidiary Companies
11. Contribution Program - Business Development Project Fund
12. Business Support Services

19. Reporting

19. 2017/18 Scorecard
21. Write-offs and Forgiveness

22. Disbursements
25. Financial Statements

EXECUTIVE SUMMARY

The Board, management and staff at the Northwest Territories Business Development and Investment Corporation (BDIC) are pleased to present the BDIC's 2017/18 Annual Report to the Minister Responsible for the BDIC. The BDIC continues delivering its mandate to support economic development and diversification in the territory by providing guidance and flexible financing to entrepreneurs across the NWT.

In 2017/18, the BDIC disbursed $7.72 million in new loans, subsidies and contributions. 93% of this money was disbursed in communities outside of Yellowknife and 39.8% was spent in Level II communities. This brings the BDIC's Credit Facilities portfolio to a total of $46 million. The BDIC maintains sound risk management practices to ensure clients who receive funding have willingness and ability to repay the BDIC and build sustainable businesses.

The Business Development Project Fund (BDPF) was accessed by 40 applicants in 2017/18, resulting in a total of $204,260 in contributions towards business start-ups, expansions, and the purchase of raw materials for arts and crafts makers.

Demand for business services continued in 2017/18. The BDIC's business service centre assisted 296 people from around the territory. Participation in business learning sessions increased with 103 participants attending 54 sessions. Six young entrepreneurs were successfully matched with business mentors, and another 33 attended business bootcamps hosted in Hay River and Yellowknife. The BDIC expanded the accessibility of its programs and services through a new mobile application of its popular guide to starting a business in the NWT as well as providing newly branded signage and information to its regional offices.

After years of work, the BDIC has fully integrated French languages services into its programs and communications. All communications materials, forms and information are fully available in French and English. In addition, the BDIC strengthened its collaboration with Francophone organizations. We are proud to be recognized for our efforts in the GNWT's 2016/17 Annual Report on Official Languages.

The BDIC supported the City of Yellowknife with the inaugural Win Your Space YK business incubation competition. Participants in this competition received business training and support from the BDIC to sharpen their business ideas, with the best idea winning free rent for a year from the City, as well as access to funds from the BDIC's Business Development Project Fund when eligible.

This year, the BDIC's subsidiaries generated $730,109 in sales, and directly employed 12.01 full-time equivalent staff in Fort Liard, Fort McPherson, Fort Providence and Ulukhaktok. Another 111 residents in these communities earned income through the Subsidiary Program by supplying the companies with traditional arts and crafts. The BDIC continues to support capacity building at subsidiaries by assisting with tradeshows and other promotional activities.

The BDIC looks forward to continue serving business programs and services to the residents and entrepreneurs in the NWT.

Dr. Pawan Chugh
Chief Executive Officer

Darrell Beaulieu
Chairperson

CORPORATE OVERVIEW

Minister, Chair and CEO

The Honourable Wally Schumann

Minister Responsible for the BDIC

The Honourable Wally Schumann is the Minister Responsible for the BDIC. Mr. Schumann is a small business owner and Red Seal Certified Auto body Journeyperson, and has also served as President of the Hay River Métis Government Council, as a member of the NWT Chamber of Mines Aboriginal Participation Committee, and as a Director for the NWT Manufacturer's Association.

Darrell Beaulieu

Chair of the BDIC

Born and raised in the North, Darrell Beaulieu has been Chair of the BDIC since 2005. Mr. Beaulieu is currently President and CEO of Denendeh Investments Incorporated (DII) and sits as Director of Northland Utilities (Yellowknife & NWT).

Dr. Pawan Chugh

Chief Executive Officer

With a public service career spanning over two decades, Pawan Chugh has been CEO of the BDIC since 2005. During his tenure, Dr. Chugh has advanced the BDIC to become a leader in NWT economic development. The BDIC has assisted residents in all 33 NWT communities under his leadership. He provides expertise with his in depth knowledge of business, law, marketing and finance.

CORPORATE OVERVIEW

Board of Directors

The BDIC's Board of Directors is composed of business people appointed by the Minister responsible for the BDIC. To be eligible, they must have owned or managed a business in the NWT or have business expertise relevant to the economy of the Northwest Territories.

Directors come from a variety of different NWT communities with a wide range of business skills.

Darrell Beaulieu - Chairperson	N'Dilo
Denise Yuhas - Vice Chairperson	Fort Smith
Gwen Robak - Director	Hay River
Andy Wong - Director	Yellowknife
Denny Rodgers - Director	Inuvik
Joanne Deneron - Director	Fort Liard
Charlie Furlong - Director	Aklavik

Audit Committee

The BDIC Board of Directors established the Audit Committee to assist in the oversight responsibilities, notably for the financial reporting process, the audit process and the BDIC's compliance with the law.

Committee members are financial literate with some having accounting, lending, investing or related financial expertise.

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

Management

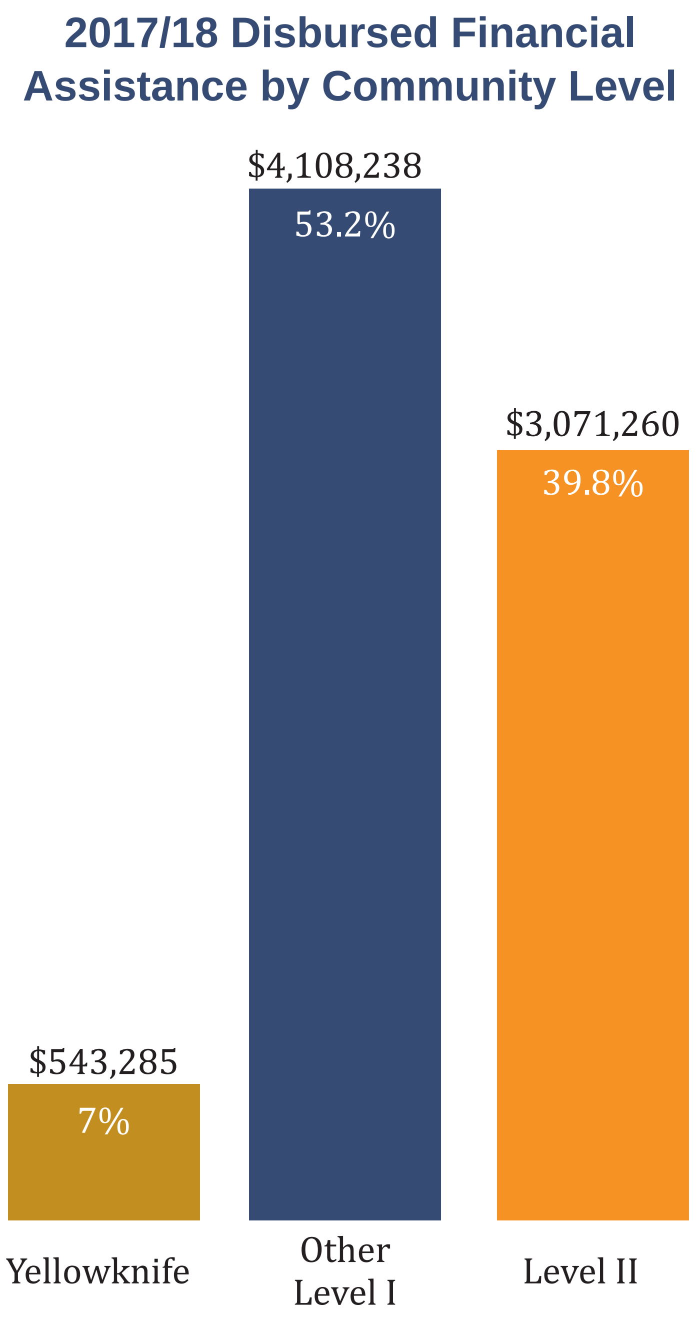
Dr. Pawan Chugh, Chief Executive Officer
Leonard Kwong, Director Finance and Programs
Chris Taylor, Manager Financial Programs
Brad Poulter, Manager Business Services and Communications

Overview of the BDIC

On April 1, 2005, the Northwest Territories Business Development and Investment Corporation 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 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 businesses where the BDIC is the majority shareholder (known as the Subsidiary Program). Additionally, the BDIC offers business support services to northern businesses across the NWT. The 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 business goals.

In 2017/18, the BDIC disbursed $7.72 million in new loans, subsidies and contributions. 93% of this money was disbursed in communities outside of Yellowknife, 39.8% of the funding was spent in Level II communities.



Level I Communities
Communities with well developed business infrastructure and air/road transportation links. **Fort Smith, Hay River, Inuvik and Yellowknife including N'Dilo.**

Level II Communities
Communities with less developed business infrastructure and air/road transportation links. **All other NWT communities not listed above.**

Overview of the BDIC

2017/18 Disbursed Financial Assistance by Industry Sector

Industry Sector	Credit Facilities		Contributions		Subsidiaries	
	#	$(000s)	#	$(000s)	#	$(000s)
Travel, Tourism, Accommodation, Food & Beverage	2	$44	1	$6		
Arts, Entertainment & Recreation	1	$27	22	$88	2	$240
Health Care & Social Services			1	$9		
Retail Trade	2	$1,135	2	$17		
Manufacturing			1	$1	2	$375
Fishing, Hunting & Trapping	1	$118	1	$10		
Construction	7	$3,231				
Transportation & Warehousing	1	$63				
Professional, Scientific and Technical Services			2	$25		
Finance, Insurance, Real Estate & Leasing	5	$2,154				
Other Services	1	$100	2	$17		
Wholesale Trade					1	$50
Motion Picture & Sound Recording Industries			1	$4		
Mining & Mineral Exploration			1	$9		
Totals	**20**	**$6,872**	**34**	**$186**	**5**	**$665**

2017/18 Disbursed Financial Assistance by Region

North Slave $543,285

South Slave $3,493,838

Sahtu $1,471,944

Dehcho $616,500

Beaufort Delta $1,597,215

PROGRAMS AND SERVICES

Credit Facilities Program

The BDIC's credit facilities portfolio was approximately $46 million (including $4 million of interest not recognized as revenue). $6.65 million in new credit facilities were approved with $6.87 million disbursed (including prior year approvals) in 2017/18 fiscal year.

The following credit facilities are available to BDIC clients:

$46M

BDIC's Credit Facilities portfolio

Loan Facilities

- General Term Loans are provided for clients who may not be able to secure bank financing. BDIC clients can choose between fixed or variable term loans.

Standby Letters of Credit Facilities

- Standby letters of credit enable clients to secure contract bids or provide security to suppliers through assurance of payments to third parties.

Guarantee Facilities

- Working Capital Guarantees are available to clients as security to assist 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 finance provider.

PROGRAMS AND SERVICES

Credit Facilities Program

Credit Risk Management

- The BDIC uses sound risk management practices as outlined in its Risk Analysis policy to ensure clients who access financing have the willingness and ability to repay the BDIC and build sustainable businesses.

262 applications approved for

$92.2 million

in Credit Facilities since 2005/06

Venture Investment Program

Through the Venture Investment Program, the BDIC makes equity investments in NWT businesses. In exchange, the BDIC receives preferred shares in the business.

Investee businesses pay dividends to the BDIC, with dividend rates set based on risk. Investee businesses can redeem their shares at any time.

Invested funds can be used to support a wide range of job creation activities, including research and development. They can also be leveraged to obtain additional private sector financing.

Subsidiary Program

The BDIC's Subsidiary Program is based on facilitating community ownership and supporting local subsidiary boards with the BDIC providing general support, accounting and marketing. In 2017/18, the BDIC operated five active subsidiaries:

- Arctic Canada Trading Company Ltd. (ACTCL)
- Acho Dene Native Crafts Ltd. (ADNC)
- Dene Fur Clouds Ltd. (DFC)
- 910344 NWT Ltd. operating as Fort McPherson Tent and Canvas (FMTC)
- 5983 NWT Ltd. operating as Ulukhaktok Arts Centre (UAC)

Subsidiary	2017/18 Sales
ACTCL*	$7,319
ADNC	$126,241
DFC	$88,534
FMTC	$377,922
UAC	$130,093
Total	**$730,109**

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 in various northern 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 through 70 galleries and gift shops across Canada, as well as in Alaska and Vermont. The BDIC also promotes each of the subsidiaries and their products through branding, advertising and distribution by way of web design and support, e-commerce, promotional videos, brochures, sales, and attendance at trade shows.

Sheared knitted beaver fur mitts with lynx fur cuffs from Dene Fur Clouds

** Operating Revenues for ACTCL are from sales of remaining inventory of Muskox leather goods only.*

PROGRAMS AND SERVICES

Subsidiary Program

Maintaining community employment

In 2017/18, the BDIC's subsidiaries maintained 12.01 direct employees and supported 111 cottage craft producers by purchasing $191,000 worth of locally-made products.

12.01

Full time equivalent staff employed by the BDIC's subsidiaries in 2017/18

Subsidiary	Community	Direct Employment Positions 2017/18	Direct Employment Positions 2016/17	Change
ACTCL	Yellowknife	N/A	N/A	N/A
ADNC	Fort Liard	1.36	1.64	(0.28)
DFC	Fort Providence	4.00	4.56	(0.56)
FMTC	Fort McPherson	5.53	6.13	(0.60)
UAC	Ulukhaktok	1.12	1.50	(0.38)
Total		**12.01**	**13.83**	**(1.82)**

Supporting Artists in Communities

In November 2017 the BDIC assisted Acho Dene Native Crafts shop supervisor and artist Cathy Kotchea attend the Crafted Artist Show hosted by the Winnipeg Art Gallery. This show brought together over 50 artists from Manitoba, plus a select number from Nunavut, Nunatsiavut, and the Northwest Territories.

The BDIC continues to support capacity building at its subsidiaries.

Subsidiary Companies

Contribution Program - Business Development Project Fund (BDPF)

The BDIC's contribution program provides funding to assist entrepreneurs in starting or expanding their business. In 2017/18, the BDPF Program was oversubscribed with the BDIC approving $204,000 in contributions. During the year, $186,000 was disbursed with the remaining approvals disbursed in 2018/19.

Core BDPF can be used to help fund start-up expenses, expansion, raw materials (for arts and crafts production) and short-term projects that create employment. The maximum in any 5 year period is $20,000 ($10,000 for businesses in level I communities). Businesses with $500,000 or less in annual revenues are eligible to apply.

BDPF Aftercare can provide businesses with contribution funding to purchase accounting software or services, succession planning and business training programs. The lifetime maximum for BDPF Aftercare Funding is $5,000 ($3,000 for businesses in level I communities).

40

Number of BDPF applications approved in 2017/18

$204,260

Amount of BDPF funding approved in 2017/18

338 applications approved for

$2.4 million

in BDPF since 2005/06

PROGRAMS AND SERVICES

Business Support Services

The BDIC provides business services to help people start and grow their business in the Northwest Territories.

In 2017/2018, the BDIC finalized integrating its French-language service strategy. NWT clients who wish to start a business in the NWT can now access all BDIC programs in French and English.

The BDIC also updated its guide **How to Start a Business in the Northwest Territories** as a web mobile application.

The BDIC manages Canada Business NWT, a member of the Canada Business Network, which provides start-ups and small businesses with a wide range of information and references about government services, programs and regulations. The BDIC operates Canada Business NWT (CBNWT) in partnership with the Canadian Northern Economic Development Agency (CanNor). CBNWT services are available online and through community partners to residents across the NWT.

Business services available include:

- Business resource library that is indexed online so that clients from any community can order a resource material and have it mailed to them
- 1-800 number that clients in NWT communities can call to get business information specific to their region
- CanadaBusiness.ca – content created and managed by CBNWT specifically for NWT residents
- Video and web conference sessions available to educate entrepreneurs
- Administration services and business planning resources available in person through the BDIC and partner organizations
- Coordination of Small Business Week in partnership with business stakeholders

In 2017-18, Canada Business NWT served 169 clients in person, 83 over the phone and 43 by email. The BDIC also hosted 54 training sessions that were attended by 103 participants.

CANADA BUSINESS NWT
ENTREPRISES CANADA TNO

PROGRAMS AND SERVICES

Business Support Services

Business Mentorship

In 2017, the BDIC and Futurpreneur Canada continued to deliver the Mentor-Me program, a structured mentoring opportunity for young entrepreneurs. The program targets young entrepreneurs who are either in the process of launching their business or have launched one recently.

The entrepreneurs were mentored by local business owners and experts who have demonstrated their own business acumen and are interested in giving back to the next generation of entrepreneurs. The mentors were brought together for an informal, in-person session to discuss the program and to build on their current strengths.

In 2017, six entrepreneurs were successfully matched and reported high satisfaction with the mentoring experience.

YEAR-ROUND BUSINESS TRAINING

In 2017/18, the BDIC continued to offer business training sessions year-round. These free, interactive sessions cover topics such as bookkeeping, taxation, marketing and more.

A total of 54 sessions were held in 2017/2018 for 103 participants.

A full schedule of upcoming training sessions can be found at: **www.bdic.ca/calendar.**

296

Business Centre clients served in 2017/2018

The BDIC's business service centre has public workstations and resources to assist NWT residents start and grow their businesses.

PROGRAMS AND SERVICES

Business Support Services

Entrepreneur Bootcamps

This year, the BDIC and Futurpreneur delivered four business bootcamps in Yellowknife and Hay River, attended by a total of 33 young entrepreneurs.

The two and three-day training workshops ran participants through the full range of business planning fundamentals. An interactive curriculum provided the opportunity for young entrepreneurs to work on their business plans in-person and learn about valuable resources and online tools.

Participants began each bootcamp by completing a entrepreneurial self-assessment, followed by a practice "pitch" of their business. Instructors then provided information on a range of resources for start-ups in the territory, and guided participants through the development of their business plans, section-by-section (Company Profile, Market Research, Operations, Marketing and Sales, and Financials). Participants delivered revised business pitches on the second day before finalizing their business plans.

The bootcamps also gave young entrepreneurs a chance to hear from successful business people.

In the Community

The BDIC encourages staff to seek out volunteer opportunities in their community as a way to strengthen relationships, build skills, and increase awareness of the BDIC's programs and services. This year, in addition to various school and sports organizations, BDIC staff have been involved with:

- 100 Men Who Give A Damn
- Alzheimer Society
- NWT Disabilities Council
- NWT SPCA
- Special Olympics NWT
- Yellowknife Association for Community Living
- Yellowknife Seniors Society

PROGRAMS AND SERVICES

Business Support Services

French Services Integrated

After years of work, the BDIC has fully integrating French language services for its programs and communications.

All communications including advertisements, the BDIC's website, forms, informational brochures and guides have been translated and are available to NWT residents in French. Signage and banners are also available in both French and English.

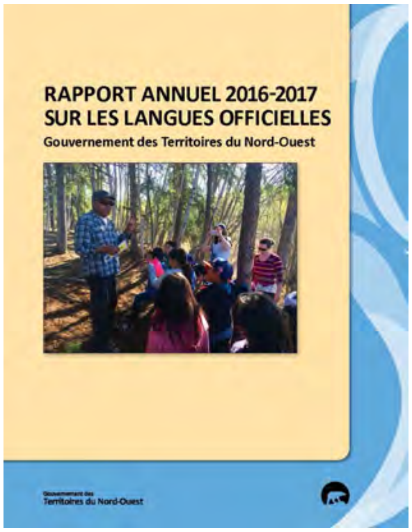
In addition, clients can now apply to business programs in French and get assistance from French-speaking employees.

Following GNWT guidelines, the BDIC's employees working with the public now have French active offer on hand.

The BDIC also improved its outreach to the Francophone community, by strengthening its collaboration with Francophone organizations.

These were the final steps of the integration of French-language communications and services, a process started in 2013 in collaboration with the Francophone Affairs Secretariat. The major stages of this process included the hiring of a bilingual French language services coordinator and the translation of the BDIC's popular guide How to Start a business in the Northwest Territories.

Finally, the BDIC's initiatives to improve French-Language services were highlighted as best practices in the GNWT's 2016-2017 Annual Report on Official Languages.



The BDIC's initiatives to improve French-Language services were highlighted as best practices in the GNWT's 2016-2017 Annual Report on Official Languages.

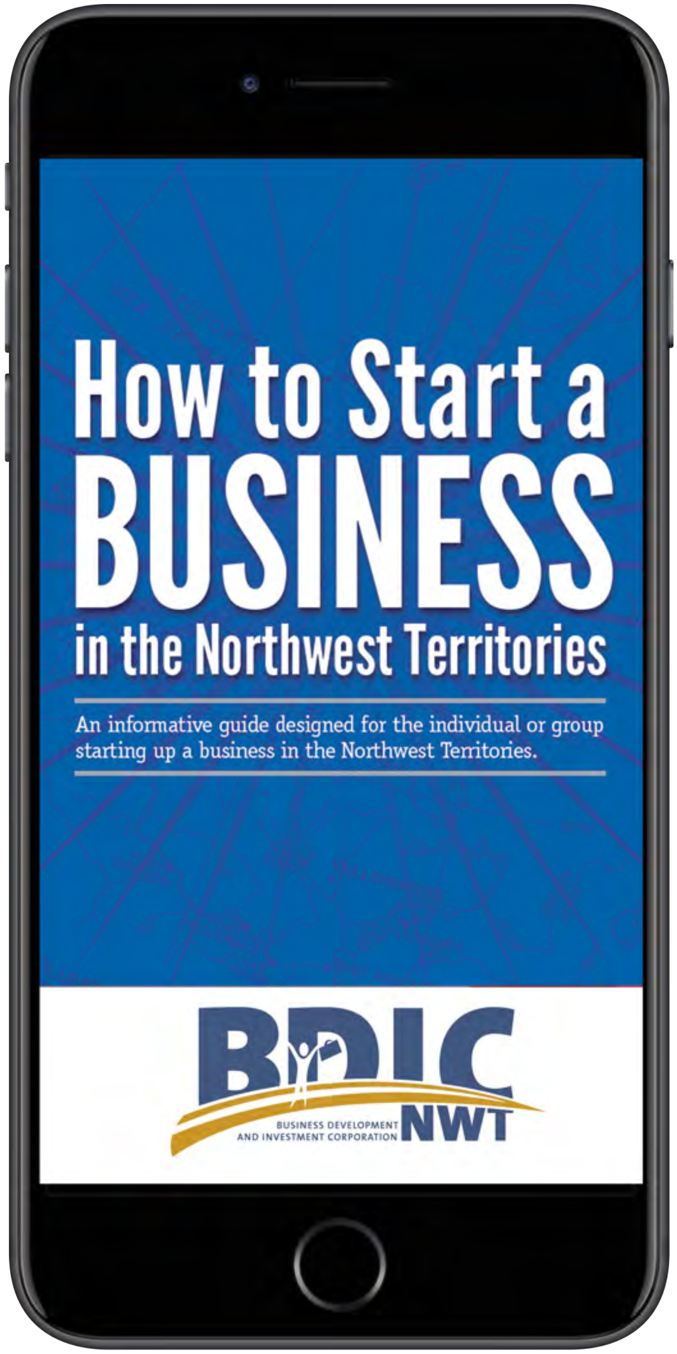
Business Support Services

New Web App

The BDIC's popular guide *How to Start a Business in the Northwest Territories* is now available as a mobile web application.

Now all the information residents need to start a business is in the NWT is available in their hand through any smart device. This web app provides key reference material and information to clients on the go. It guides users through the steps to launch their business and provides quick answers to questions about financial assistance, business support programs, and licenses and regulations.

The information in this web app is available in French and English and is constantly being updated to provide clients with timely and accurate information at their fingertips.



The BDIC's new mobile web application provides clients with information on the go.

Signage at Regional NWT Offices

Newly branded, bilingual signage has been provided to the BDIC's regional partners. These signs, posters and stickers give NWT business people clear information about the BDIC's programs and services. They are also used as tools by regional economic practitioners to promote business programs available for their clients.

PROGRAMS AND SERVICES

Business Support Services

BDIC Attends Industry Events

The BDIC staff attended several events during the year to promote its programs and services.

Continuing its close relationship with the Conseil de développement économique des Territoires du Nord-Ouest (CDETNO), BDIC staff attended two Employment Café events in Yellowknife. Employment Café matches up job seekers and employers, and the BDIC was able to provide information to job seekers who may want to become entrepreneurs. Each event was attended by more than 100 participants.

The BDIC continued its partnership with the Local Government Administrators of the Northwest Territories (LGANT). At this year's annual conference, themed Resilience through Building Capacities, BDIC staff met with community representatives to talk about ways the BDIC's programs and services could help their residents. The BDIC also made a presentation to local government administrators about partnership opportunities to support their communities.

The BDIC sponsored and supported the 2017 Thebacha Tradeshow. A booth with informational items was displayed to promote the BDIC's programs and services to residents in Fort Smith.

PHOTO: CDETNO

The BDIC booth was popular during the Employment Café, an event organized by CDETNO

Business Support Services

Seiji Suzuki was the winner of the first edition of Win Your Space Yellowknife.

Win Your Space YK

The BDIC collaborated with the City of Yellowknife to support the inaugural Win Your Space Yellowknife business competition.

The purpose of this competition was to encourage and incubate a successful Yellowknife business and promote the revitalization of downtown Yellowknife.

The winner of the competition, Seiji Suzuki, earned a year of free rent from the City for his business, a Japanese bakery named Ja-Pain. His project was chosen among the five finalists who presented their business plans to a jury of Yellowknife business experts.

The BDIC was proud to support the winner with a contribution with $10,000 from the Business Development Project Fund (BDPF). It also assisted other contestants by providing them with workshops and networking opportunities as well as resources to develop their business projects.

Several participants in the competition received support from the BDIC and are currently operating in Yellowknife.

2017/18 Scorecard

The objectives below were approved by the Board of Directors in the BDIC's 2017/18 Corporate Plan.

Objective	Action	2017/2018 Target	Status
Increase capacity at subsidiaries	Increase capacity at subsidiaries	Educational content delivered to subsidiary managers and supervisors on a monthly basis	Business and educational resources emailed to subsidiary supervisors on biweekly basis.
Increase accountability and transparency in BDIC operations	Make detailed quarterly loan and contribution performance data publicly accessible	Issue a quarterly, publicly accessible report on the BDIC's loan and contribution program performance	Quarterly reports posted online and distributed to stakeholders. Available in both French and English.
Complete implementation of Guidelines on French Language communications and services	Finalize translation of the BDIC's website and other communications materials	A successful audit of the BDIC's French language communications and service delivery	The BDIC fully implemented the guidelines on French language communications and services and its successes were highlighted in the GNWT's official language report.
Increase participation in the BDIC's business learning sessions	Increase the promotion of business learning sessions through various marketing channels and partners	Monthly business learning session calendars distributed to economic development stakeholders	Participation in the BDIC's business learning sessions increased by 29%.

2017/18 Scorecard

Objective	Action	2017-2018 Target	Status
Increase awareness of the BDIC's subsidiaries	Pursue opportunities to establish displays of subsidiary arts and crafts	Subsidiary arts and crafts displays established	Attended 5 trade shows and promotional trips.
Increase awareness of the BDIC's programs	Distribute information on BDIC programs tailored to GNWT priority sectors for investment	BDIC program information distributed through relevant industry associations	Attended 2 conferences. In progress.
Encourage the creation and development of business enterprises	Research the feasibility of operating a business incubator	A completed feasibility report	Not complete.

A rabbit fur Ookpik from the Ulukhaktok Arts Centre

Write-offs and Forgiveness

The BDIC's Board of Directors may approve the write-off debts. Written-off debts can still be collected, but are assigned a zero value in the BDIC's financial statements.

The Financial Management Board may approve the forgiveness of debts. A forgiven debt is removed from the financial statements as the BDIC is no longer able to collect it.

In 2017-18, nine accounts representing eight businesses were written-off by the Board of Directors and no accounts were forgiven by the Financial Management Board.

Debts Written-off by the Board of Directors

4785 NWT Ltd. o/a Hotel Tuk Inn	$441,348.07
6121 NWT Ltd. o/a Gagnier Holdings	$207,765.90
994486 NWT Ltd. o/a Chef Pierre Catering	$1,913,542.88
B&T Plumbing and Heating Ltd.	$34,655.29
Bert Buckley	$54,494.81
Norman Wells Petroleum Ltd.	$198,167.40
Richard Duntra o/a RD Trucking	$132,048.32
Starlite Corporation Ltd.	$347,295.05
Total	**$3,329,317.72**

DISBURSEMENTS

The BDIC disbursed funds to the following NWT businesses during the 2017/18 fiscal year.

Business Name	Owners	Community	Program	Total Amount Disbursed
5983 NWT Ltd. (o/a Ulukhaktok Arts Centre)	BDIC	Ulukhaktok	Subsidiary	$90,000.00
913044 NWT Ltd. (o/a Ft. McPherson Tent and Canvas)	BDIC	Fort McPherson	Subsidiary	$275,000.00
Acho Dene Native Crafts Ltd.	BDIC	Fort Liard	Subsidiary	$150,000.00
Arctic Canada Trading Company Ltd.	BDIC	Yellowknife	Subsidiary	$50,000,00
Dene Fur Clouds Ltd.	BDIC	Fort Providence	Subsidiary	$100,000.00
506878 NWT Ltd. o/a The Lenny Burger	Jason, Alexandra and Jason, Matthew	Yellowknife	Credit	$25,774.70
507161 NWT Ltd.	Benoit, Michel	Fort Simpson	Credit	$367,000,00
5730 NWT Ltd. (o/a Super A Foods Hay River)	Anderson, Steve; Hill, John and Hill, Tracy	Hay River	Credit	$323,126.00
Antoine, Ronald (o/a Double "A" Ventures)	Antoine, Ronald	Hay River	Credit	$63,000.00
Beaulieu, Louie	Beaulieu, Louie	Fort Smith	Credit	$24,000.00
Fort Smith Construction NT Ltd.	Vogt, Alden	Fort Smith	Credit	$810,000.00
Freund, Daniel (o/a Front Line)	Freund, Daniel	Fort Smith	Credit	$137,000.00
Greenway Realty Ltd.	Groenewegen, Jane and Groenewegen, Richard	Hay River	Credit	$900,000.00
Kruger, Natacha (o/a Mama Bear)	Kruger, Natacha	Hay River	Credit	$27,000.00
Les Norn Contracting	Norn, Les	Hay River Reserve	Credit	$80,000.00
Linington, Stacy (o/a S & L Fish)	Linington, Stacy	Hay River	Credit	$117,600.00
MacKay, Bridget (o/a Driftwood Diner)	MacKay, Bridget	Hay River	Credit	$18,560.00
Northridge Contracting Ltd.	Audet, Pascal	Norman Wells	Credit	$1,468,186.00
P.R. Contracting Ltd.	Rowe, Sandra and Rowe, Patrick	Fort Simpson	Credit	$99,500.00

DISBURSEMENTS

Business Name	Owners	Community	Program	Total Amount Disbursed
Shiloh Ltd.	Van Vliet, Carmen; Van Vliet, Christian and Van Vliet, Paisley	Inuvik	Credit	$811,533.00
SK Contracting Ltd.	Kukovica, Stan	Fort Smith	Credit	$45,700.00
SK Contracting Ltd.	Kukovica, Stan	Fort Smith	Credit	$218,600.00
TDC Contracting Ltd.	Freund, Glen and Swanson, Marie	Fort Smith	Credit	$585,000.00
Territorial Investments Ltd.	Carpenter, Bradley and Reidford, Gary	Ulukhaktok	Credit	$350,131.78
Yellowknife Condominium Services Ltd	Bell, Adrian	Yellowknife	Credit	$400,000.00
Accompany Productions Inc	Carthew, Kristen	Yellowknife	Contribution	$510.00
Arey, Elizabeth	Arey, Elizabeth	Tuktoyaktuk	Contribution	$3,470.00
AuroraTours.net	Robert Erasmus & Rainer Erasmus	Yellowknife	Contribution	$6,300.00
Cockney, Evelyn	Cockney, Evelyn	Inuvik	Contribution	$4,165.00
Cockney, Marilyn	Cockney, Marilyn	Tuktoyaktuk	Contribution	$3,735.15
Ettagiak- Adam, Sarah	Ettagiak- Adam, Sarah	Tuktoyaktuk	Contribution	$3,320.00
Fraser, Roger (o/a Stitch'in Gwich'in)	Fraser, Roger	Yellowknife	Contribution	$8,035.33
Gardner, Jazmine Mitchell (o/a Soaring Tortoise)	Gardner, Jazmine	Yellowknife	Contribution	$10,996.92
Grant, Joanna (o/a JOM Film)	Grant, Joanna	Yellowknife	Contribution	$3,937.78
Great Slave Drilling & Exploration Ltd.	Grandguillot, Shawn	Hay River	Contribution	$8,906.82
Gruben, Jean	Gruben, Jean	Tuktoyaktuk	Contribution	$5,997.00
Gruben, Karen	Gruben, Karen	Tuktoyaktuk	Contribution	$2,940.00
Gruben, Terri Amber	Gruben, Terri Amber	Tuktoyaktuk	Contribution	$2,285.00
Henry, Charlotte (o/a Henry Design Build Live)	Henry, Charlotte	Yellowknife	Contribution	$1,000.00
Ja-pain Inc.	Suzuki, Seiji and Shoko	Yellowknife	Contribution	$10,000.00
Kalnay-Watson, Sarah (o/a Let Me Knot)	Kalnay-Watson, Sarah	Yellowknife	Contribution	$6,426.22

DISBURSEMENTS

Business Name	Owners	Community	Program	Total Amount Disbursed
Kangegana, Mildred	Kangegana, Mildred	Tuktoyaktuk	Contribution	$5,080.00
Klengenberg, Crystal	Klengenberg, Crystal	Tuktoyaktuk	Contribution	$2,066.00
Linington, Stacy (o/a S & L Fish)	Linington, Stacy	Hay River	Contribution	$10,000.00
Loreen, Caroline	Loreen, Caroline	Tuktoyaktuk	Contribution	$4,126.00
Murefu, Temptation (o/a Tempie's Day Home)	Murefu, Temptation	Yellowknife	Contribution	$9,028.89
Naz, Shamayla	Naz, Shamayla	Yellowknife	Contribution	$9,275.58
Nerysoo, Sarah	Nerysoo, Sarah	Fort McPherson	Contribution	$7,319.20
Nuttall, Elizabeth	Nuttall, Elizabeth	Tuktoyaktuk	Contribution	$3,217.00
Raddi, Freda	Raddi, Freda	Tuktoyaktuk	Contribution	$2 402.00
Raddi, Roxanne	Raddi, Roxanne	Tuktoyaktuk	Contribution	$5,313.30
Steen, Shirley	Steen, Shirley	Tuktoyaktuk	Contribution	$4,610.00
Stefure, Sophie	Stefure, Sophie	Tuktoyaktuk	Contribution	$5,320.00
Tambour, Henry (o/a Henry's Consulting Services)	Tambour, Henry	Hay River Reserve	Contribution	$13,979.00
Teddy, Charmaine	Teddy, Charmaine	Tuktoyaktuk	Contribution	$2,790.00
Walter, Craig (o/a Sahtu Paddleboard)	Walter, Craig	Norman Wells	Contribution	$3,758.86
Wilson, Don	Wilson, Don	Hay River	Contribution	$4,047.95
Wolki, Donna	Wolki, Donna	Tuktoyaktuk	Contribution	$9,714.00
Wong, Daniel o/a Jack Pine Paddle/Consulting	Wong, Daniel	Yellowknife	Contribution	$2,000.00

TOTAL: $7,722,784.48

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

For the year ended

March 31, 2018

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 its board of directors.

Management is responsible for preparing these consolidated financial statements 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 is responsible for maintaining 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. It exercises this responsibility through the Audit Committee, which is comprised of members 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 Programs

August 27, 2018

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

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

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 2018, 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.

.../2

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 2018, 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.

David Irving

David Irving, CPA, CA
Principal
for the Auditor General of Canada

27 August 2018
Edmonton, Canada

	Page
Consolidated Statement of Financial Position	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Operations and Accumulated Surplus	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 28
Schedule A – Consolidated Schedule of Tangible Capital Assets	29

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Financial Position (000's)

	March 31, 2018	March 31, 2017
	$	$
Financial Assets		
Cash (Note 3)	15,574	19,385
Accounts receivable	103	78
Inventories held for resale (Note 4)	566	552
Loans receivable (Notes 5 and 6)	38,497	37,038
	54,740	57,053
Liabilities		
Accounts payable and accrued liabilities (Note 10)	1,209	1,272
Post-employment benefits (Note 8)	321	278
Advances from the Government (Note 9)	20,935	24,794
Asset retirement obligations	25	24
	22,490	26,368
Net financial assets	32,250	30,685
Non-financial assets		
Tangible capital assets (Schedule A)	243	275
Prepaid expenses	26	9
	269	284
Accumulated surplus	**32,519**	**30,969**

Venture investments (Note 7)
Commitments and contingencies (Notes 12 and 13)

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 2018	Actual 2018	Actual 2017
	$	$	$
Annual surplus	1,767	1,550	2,022
Acquisition of tangible capital assets	-	(7)	(39)
Disposal of tangible capital assets	-	-	1
Amortization of tangible capital assets	40	39	44
	40	32	6
Acquisition of prepaid expenses	-	(26)	(9)
Use of prepaid expenses	-	9	1
	-	(17)	(8)
Increase in net financial assets	1,807	1,565	2,020
Net financial assets, beginning of year	**30,685**	**30,685**	**28,665**
Net financial assets, end of year	**32,492**	**32,250**	**30,685**

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 2018	Actual 2018	Actual 2017
	$	$	$
Revenues			
Interest on loans receivable	2,300	2,054	2,394
Sales and other income	754	773	814
Interest on pooled cash (Note 3)	100	224	152
Dividends	-	-	1
	3,154	3,051	3,361
Government transfers (Note 10)	3,753	3,695	4,189
	6,907	6,746	7,550
Expenses (Note 11)			
Lending and investments	3,808	3,778	4,178
Retail and manufacturing	1,332	1,418	1,350
	5,140	5,196	5,528
Annual surplus	**1,767**	**1,550**	**2,022**
Accumulated surplus, beginning of year	**30,969**	**30,969**	**28,947**
Accumulated surplus, end of year	**32,736**	**32,519**	**30,969**

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	2018	2017
	$	$
Operating transactions		
Cash received from:		
Governments	2,782	3,056
Customers	776	883
Interest	2,275	2,578
Dividends	-	1
	5,833	6,518
Cash paid for:		
Compensation and benefits	2,261	2,268
Payments to suppliers	1,149	1,322
Interest on advances from the Government	341	179
Grants and contributions	186	217
	3,937	3,986
Cash provided by operating transactions	**1,896**	**2,532**
Capital transactions		
Acquisition of tangible capital assets	(7)	(39)
Cash (used for) capital transactions	**(7)**	**(39)**
Investing transactions		
Loans receivable disbursed	(6,738)	(4,081)
Loans receivable repaid	4,897	5,679
Redemptions of venture investments	-	7
Cash (used for) provided by investing transactions	**(1,841)**	**1,605**
Financing transactions		
Repayment of advances from the Government	(3,859)	(321)
Cash (used for) financing transactions	**(3,859)**	**(321)**
(Decrease) increase in cash	**(3,811)**	**3,777**
Cash, beginning of year	19,385	15,608
Cash, end of year	**15,574**	**19,385**

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 3 of the FAA, the Act and its regulations, and any directives issued to it by the Minister responsible for the Corporation (the Minister) 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 (Note 17).

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 issued 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 provision for termination and removal benefits, 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
Muskox Harvesting			
6355 N.W.T. Ltd.	Sachs Harbour, NT	100%	May 12, 2011

2. Summary of significant accounting policies (continued)

(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, work-in-process and raw material and are carried at the lower of cost and net realizable value, with cost being determined on a first in, first out basis.

(e) Loans receivable

Loans receivable are initially recognized 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 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.

In accordance to the updated FAA that came into effect on April 1 2016, the Corporation's board of directors may approve the write-off of debts owing to the Corporation. An account that has been written off is still subject to collection action. An account can only be approved for forgiveness by the board of directors ($500 or less) or the FMB (over $500). 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.

2. Summary of significant accounting policies (continued)

(f) Allowance for credit losses (continued)

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.

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.

2. Summary of significant accounting policies (continued)

(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 an actuary assessment.

(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
Vehicle and Equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years

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 cost.

2. Summary of significant accounting policies (continued)

(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.

(o) New accounting standards

The Corporation adopted the following handbook sections which became effective on April 1, 2017, Related party disclosures (PS 2200) (Note 14), Inter-entity transactions (PS 3420) (Note 14 and 15) and Contractual Rights (PS 3380) (Note 19). The adoption of these standards did not have a material impact on the Corporation's financial statements.

(p) Future accounting changes

The PSAB issued a new section that applies to fiscal year beginning on or after April 1, 2018 with earlier adoption permitted. The Corporation is currently assessing the impact of the following section:

Section PS 3430, "Restructuring Transactions": This section establishes standards on how to record assets, liabilities, revenues and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. The Corporation does not expect this new standard to impact the financial statements.

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 1.42% during the year (2017: 1.05%).

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

3. Cash (continued)

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.

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

	000's	
	2018	**2017**
	$	**$**
Cash held by the Corporation for operations	6,984	6,993
Cash held by the Corporation's organizations	1,433	1,334
Cash held for post-employment benefits	321	278
	8,738	8,605
Venture Investment Fund	4,190	4,190
Capital Fund	873	873
Subsidy Fund	485	471
Venture Reserve Fund	486	486
Loans and Bonds Fund	655	4,613
Capital Reserve Fund	147	147
	6,836	10,780
	15,574	**19,385**

4. Inventories

	000's	
	2018	**2017**
	$	**$**
Inventories held for resale:		
Arts and crafts	307	293
Canvas products	259	259
	566	**552**

During the year, $59,000 of inventories were written down (2017: $97,000) and no inventories were pledged as security. Also during the year, the Corporation had $9,000 recoveries on inventory that had been previously written down (2017: $24,000). 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			
		2018		2017	
		Rate	Balances	Rate	Balances
		%	$	%	$
Performing loans due within:	1 year	5.39	4,161	5.62	4,141
	1-2 years	5.48	5,287	5.08	2,896
	2-3 years	5.49	5,365	5.43	5,969
	3-4 years	5.06	11,878	5.46	6,420
	over 4 years	5.42	10,703	5.06	16,035
			37,394		35,461
Accrued loan interest receivable			153		169
Impaired loans			4,477		6,771
			42,024		42,401
Less: allowance for credit losses (Note 6)			3,527		5,363
			38,497		**37,038**

In 2018, nine accounts totalling $3,329,000 were written off by the board of directors (2017: five accounts totalling $839,000). There were no accounts forgiven (2017: none) and recoveries on loans previously written off totalled $21,000 (2017: $26,000).

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			
	2018		2017	
Enterprise	Performing	Impaired	Performing	Impaired
	$	$	$	$
Construction	10,103	208	7,636	103
Retail trade	6,924	306	6,272	779
Real estate and rentals	5,811	-	4,291	-
Accommodations, food and beverage	5,500	1,684	6,219	3,225
Transportation and storage	3,595	63	4,317	-
Other services	1,613	86	1,600	86
Wholesale trade	934	-	1,961	-
Manufacturing	860	21	888	26
Management of companies	475	-	548	-
Communication	418	-	454	-
Arts and craft	393	-	380	-
Finance and insurance	386	84	410	129
Business services	255	370	450	268
Fisheries and wildlife	110	-	-	40
Travel and tourism	13	1,282	22	1,571
Forestry and logging	4	-	13	-
Oil and gas	-	334	-	484
Educational services	-	39	-	60
	37,394	**4,477**	**35,461**	**6,771**

The loans receivable balance contains one loan, value at $0 that was made to a venture investee (2017: $2,000). This loan is in addition to the venture investments shown in Note 7.

Geographic concentration

	000's			
	2018		2017	
Region	Performing	Impaired	Performing	Impaired
	$	$	$	$
South Slave	19,792	1,368	18,204	2,085
Dehcho	7,318	-	8,167	2
North Slave	5,320	2,418	5,677	3,920
Sahtu	2,804	285	1,920	68
Inuvik	2,160	406	1,493	696
	37,394	**4,477**	**35,461**	**6,771**

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	**2018**	**2017**
	$	**$**
Low	22,884	21,875
Medium	13,941	12,904
High	569	682
	37,394	**35,461**

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	**2018**	**2017**
	$	**$**
31 – 60 days	10	27
61 – 90 days	6	14
Over 90 days	1	-
	17	**41**

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 2018 (2017: nil).

6. Allowance for credit losses

	000's	
	2018	2017
	$	$
Balance, beginning of year	5,363	5,141
Provision for credit losses	713	746
Loans written off	(2,226)	(346)
Recoveries from repayments	(323)	(178)
Balance, end of year	**3,527**	**5,363**
Comprised of:		
Specific allowance	2,779	4,654
General allowance	748	709
	3,527	**5,363**

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, 2018, the Corporation does not have significant influence in the companies in which it has invested.

	000's	
	2018	2017
	$	$
Balance, beginning of year	-	7
Recoveries	-	-
Redemptions	-	(7)
Balance, end of year	-	-

The total cumulative venture investments at March 31, 2018 was $654,000 (2017: $654,000) with accumulated write-downs of $654,000 (2017: $654,000). In 2018, no venture investments were approved for write-off (2017: nil) or forgiveness (2017: nil).

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. Employment and 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 1.3 times (2017: 1.5) the employee's contribution; and for employment start dates after December 31, 2012, the Corporation's contribution rate effective at year-end was 1.0 times (2017: 1.3) the employee's contribution. Total contributions of $192,000 (2017: $214,000) 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	
	2018	2017
	$	$
Corporation's contributions	192	214
Employees' contributions	155	150

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, removal benefits and leave

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

The most recent actuarial valuation was completed as at March 31, 2018. This valuation was based on data completed as at February 17, 2017 that has been extrapolated to year-end. The values presented below are for the benefits under the severance, removal and compensated absences for the Corporation.

8. Employment and post-employment benefits (continued)

(b) Termination, removal benefits and leave (continued)

Change in Obligation

	000's	
	2018	**2017**
	$	**$**
Accrued benefit obligation, beginning of year	434	306
Current period benefit cost	15	10
Interest cost	13	8
Benefit payments	(5)	(7)
Actuarial (gain) loss	(119)	117
Accrued benefit obligation, end of year	338	434
Unamortized net actuarial gain (loss)	(17)	(156)
Accrued benefit liability (asset)*	**321**	**278**

*Total retirement, post-employment, and other leave benefits includes $264,004 (2017 - $226,104) related to severance and removal and $56,867 (2017 - $52,377) related to compensated absences.

Benefit Expense

	000's	
	2018	**2017**
	$	**$**
Current period benefit cost	15	10
Interest cost	13	8
Amortization of actuarial (gain) loss	20	5
Post-employment benefits	**48**	**23**

The discount rate used to determining the accrued benefit obligation is an average of 3.80% (2017: 3.30%). The assumed rate of compensation increase is 2% (2017: 2%). Unamortized actuarial gains and losses are amortized straight line over the expected average remaining service lives of active employees which is 8 years (2017: 8 years). No inflation was applied.

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 (2017: $45 million) as at March 31, 2018.

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 0.75% to 1.96% (2017: 0.51% to 0.99%) during the year.

10. Government transfers

	2018			2017		
(000's)	Lending/ Invest-ments	Retail/ Manufac-turing	Total	Lending/ Invest-ments	Retail/ Manufac-turing	Total
	$	$	$	$	$	$
Government:						
Operations and maintenance	2,154	665	**2,819**	2,568	645	**3,213**
Services received without charge (Note 15)	779	-	**779**	786	-	**786**
	2,933	665	**3,598**	3,354	645	**3,999**
Federal programs	97	-	**97**	190	-	**190**
	3,030	**665**	**3,695**	**3,544**	**645**	**4,189**

At the end of the fiscal year, the Corporation had no unspent funds from the Government (2017: $105,000). A stipulation included in the agreement is for any unspent funds to be repaid to the Government. The 2017 unspent amount was recognized in accounts payable and accrued liabilities and repaid through a reduction in the 2018 contribution.

11. Expenses by object

	000's					
	2018			2017		
	Lending/ Invest-ments	Retail/ Manu-factur-ing	Total	Lending/ Invest-ments	Retail/ Manu-factur-ing	Total
	$	$	$	$	$	$
Advertising and promotion	23	20	**43**	25	10	**35**
Amortization	5	34	**39**	11	33	**44**
Asset retirement	-	1	**1**	-	1	**1**
Bad debts (recovery)	-	(4)	**(4)**	-	(14)	**(14)**
Bank charges and interest	2	25	**27**	2	27	**29**
Board members	26	1	**27**	25	1	**26**
Business Development Fund	186	-	**186**	221	-	**221**
Business Service Centre	245	-	**245**	239	-	**239**
Computers and communications	105	22	**127**	88	19	**107**
Cost of goods sold	-	801	**801**	-	806	**806**
Credit losses (net)	390	-	**390**	568	-	**568**
Insurance	-	26	**26**	-	26	**26**
Interest expense on advances from the Government	341	-	**341**	179	-	**179**
Office and general	30	21	**51**	49	30	**79**
Professional services	80	51	**131**	197	76	**273**
Rent	183	16	**199**	200	16	**216**
Repairs and maintenance	-	18	**18**	-	20	**20**
Salaries and benefits	2,155	253	**2,408**	2,342	240	**2,582**
Site clean up	-	50	**50**	-	-	**-**
Training and workshops	1	1	**2**	10	-	**10**
Travel	6	33	**39**	22	4	**26**
Utilities	-	49	**49**	-	55	**55**
	3,778	**1,418**	**5,196**	**4,178**	**1,350**	**5,528**

12. Commitments

As at March 31, 2018, loans to businesses approved but not yet disbursed, totalled $2.0 million at a weighted average interest rate of 4.7% (2017: $2.8 million at a weighted average interest rate of 4.2%). These loans do not form part of the loans receivable balance until disbursed. Also as at March 31, 2018, contributions to businesses approved but not yet disbursed totalled $18,000 (2017: $8,000).

13. Contingencies

Loans

The Corporation has four outstanding loans to three Northern Community Futures organizations for their own lending purposes totalling $471,000 (2017: four outstanding loans totalling $538,000). Loans provided by these three organizations may be assigned to the Corporation when impaired. If assigned,

13. Contingencies (continued)

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 2018, no accounts were assigned to the Corporation (2017: nil).

Letters of credit

The Corporation has three outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled $2,101,000 (2017: $2,155,000) and expire in fiscal 2019 (3). 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 (2017: nil).

14. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, territorial corporations, public agencies, its board of directors and key management personnel and their close family members. 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 15).

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

	000's	
	2018	**2017**
	$	**$**
Revenues		
Sales	28	42
Government transfers (Note 10)	3,598	3,999
Expenses		
Purchases	241	208
Interest on advances from the Government	341	179
Balances at year end		
Accounts receivable	6	1
Accounts payable and accrued liabilities	135	137
Advances from the Government	20,935	24,794

15. 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	
	2018	2017
	$	$
Staff support	549	558
Accommodation	230	228
	779	**786**

16. Budgeted figures

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

The 2018 and 2017 budgeted expenses are as follows:

	000's					
	2018			2017		
	Lending/ Invest-ments	Retail/ Manu-factur-ing	Total	Lending/ Invest-ments	Retail/ Manu-factur-ing	Total
	$	$	$	$	$	$
Advertising and promotion	25	12	**37**	22	9	**31**
Amortization	6	34	**40**	6	27	**33**
Bad debts	-	6	**6**	-	5	**5**
Bank charges and interest	-	27	**27**	-	26	**26**
Board members	40	2	**42**	45	1	**46**
Business Development Fund	200	-	**200**	200	-	**200**
Business Service Centre	220	-	**220**	194	-	**194**
Computers and communications	115	18	**133**	91	19	**110**
Cost of goods sold	-	786	**786**	-	745	**745**
Freight and courier	-	2	**2**	-	4	**4**
Insurance and licenses	-	26	**26**	-	25	**25**
Interest expense	165	-	**165**	180	-	**180**
Office and general	40	22	**62**	45	18	**63**
Professional services	80	54	**134**	90	80	**170**
Provision for credit losses, net	100	-	**100**	100	-	**100**
Rent	237	16	**253**	237	16	**253**
Repairs and maintenance	-	11	**11**	-	11	**11**
Salaries and benefits	2,530	248	**2,778**	2,536	238	**2,774**
Travel and vehicles	50	30	**80**	90	20	**110**
Utilities	-	38	**38**	-	55	**55**
	3,808	**1,332**	**5,140**	**3,836**	**1,299**	**5,135**

17. Economic dependence

The Corporation received 53.3% (2017: 53.0%) of its revenues in the form of a contribution and services without charge from the Government. The Corporation's continued operations are dependent on these arrangements.

18. 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.

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, 2018, $334,000 (2017: $559,000) 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, 2018:

	000's	
	2018	2017
	$	$
Cash	15,574	19,385
Accounts receivable	103	78
Loans receivable	38,497	37,038
Letters of credit	2,101	2,155

18. Risk management (continued)

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 cash available from the Loans and Bonds fund. During the year, the Corporation repaid $3,859,000 (2017: $321,000) to the Government.

Based on the Corporation's advances from the Government as at March 31, 2018 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease annual surplus by $49,000 (2017: $90,000). A 100 basis point decrease in interest rates would increase annual surplus by $41,000 (2017: $18,000).

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.

19. Contractual rights

In March 2018, the Corporation entered into a shared cost agreement with the Canadian Northern Economic Development Agency (CANNOR) to co-fund the operations of the Canada-NWT Business Service Centre (Centre) for one year beginning on April 1, 2018. The Corporation is responsible for managing the Centre and operational costs above CANNOR's share of up to $97,100.

20. Subsequent events

In May 2018, the FMB approved the forgiveness of three accounts totalling $253,000. Two were loan accounts totalling $192,000 and one was a venture investment account in the amount of $61,000.

In June 2018, the Legislative Assembly approved an amendment to the Act. The amendment authorizes the Corporation to use monies received from loan interest in one year be used for operational needs in the following year subject to conditions.

21. Comparative Figures

Certain comparative figures have been reclassified to conform to current year's presentation.

Consolidated Schedule of Tangible Capital Assets

Schedule A
000's

	Land	Buildings	Vehicle and Equipment	Leasehold Improve-ments	Computer Equipment	March 31, 2018	March 31, 2017
	$	$	$	$	$	$	$
Cost of tangible capital assets, opening	80	1,950	695	457	20	3,202	3,164
Acquisitions	-	-	-	3	4	7	39
Disposals	-	-	-	-	(8)	(8)	(1)
Cost of tangible capital assets, closing	80	1,950	695	460	16	3,201	3,202
Accumulated amortization, opening	-	1,809	647	451	20	2,927	2,883
Amortization expense	-	14	21	3	1	39	44
Disposals	-	-	-	-	(8)	(8)	-
Accumulated amortization, closing	-	1,823	668	454	13	2,958	2,927
Net book value	**80**	**127**	**27**	**6**	**3**	**243**	**275**

Please contact us for business information and assistance.
Contactez-nous pour obtenir de l'aide et des renseignements d'affaires.
1-800-661-0599 | 867-767-9075 | info@bdic.ca | **www.bdic.ca**