BDIC NWT

BUSINESS DEVELOPMENT AND INVESTMENT CORPORATION

2008/2009
NWT Business Development and Investment Corporation
Annual Report

NWT Business Development and Investment Corporation
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A Message from the Chairperson

On behalf of the Board of Directors, I am pleased to present the 2008/2009 annual report of the Northwest Territories Business Development and Investment Corporation (BDIC).

The Board met five times during the 2008/2009 fiscal year, either in person or by teleconference. During the year, the BDIC bid farewell to one Board member: Janet-Marie Fizer from Hay River. On behalf of the Board, I would like to wish her well in her future endeavours. The Board also welcomed two new members, Joanne Deneron from Fort Liard and Warren Wright from Norman Wells.

I am looking forward to working with the Minister responsible for the BDIC, the Honourable Bob McLeod, along with my fellow Board members, the BDIC's Chief Executive Officer Pawan Chugh, and all our staff towards building on our past achievements to better assist the Northwest Territories businesses community during these challenging economic times.

Mahsi.

Darrel Beaulieu

A Message from the Chief Executive Officer

In 2008/2009, the BDIC continued to disburse credit facilities and contributions and to support eight subsidiary companies, providing much needed employment opportunities in smaller communities across the NWT. Through Canada Business NWT, the BDIC was also able to provide information and support in response to inquiries from entrepreneurs and other members of the public.

In the 2008/2009 Corporate Plan, the BDIC Board identified four strategic directions: to ensure BDIC programs meet clients' needs, to increase the awareness of BDIC programs to stakeholders, for the BDIC to have a direct impact at the community level, and to manage BDIC programs effectively.

The BDIC's key achievements in 2008/2009 included:

- Implementing The Exceptional Assistant (TEA), a loan management system
- Co-hosting the 2008 Northern Economic Development Practitioners Conference, which was attended by over 100 participants from across the NWT
- Creating a more client-focused BDIC website with a web-based BDIC application form
- Promoting the BDIC at such events as the 2008 Aboriginal Business Conference, the 2008 Inuvik Petroleum Show, and during Small Business Week the BDIC delivered workshops on bookkeeping and financing for small businesses
- Delivering BDIC presentations to participants in the New Canadian and Multicultural Program and to community leaders in Fort Simpson, Norman Wells, Fort McPherson and Inuvik
- Approving more credit facility funding applications from Level II and III communities

It is evident from the BDIC's achievements that the BDIC is committed to its vision of being a recognized leader in the NWT's regional economic development and the growth of a dynamic small and mid-sized business sector. To further instill this commitment, the BDIC plans to introduce new initiatives in 2009/2010 that will assist NWT businesses in maintaining cash flow during these tough economic times.

Thank you.

Pawan Kumar Chugh

Pawan K. Chugh

Corporate Governance & Management

The BDIC's Mandate, Vision, and Mission

The Mandate

The Northwest Territories (NWT) Business Development and Investment Corporation (BDIC) is mandated to:

… support the economic objectives of the Government of the Northwest Territories in a manner that benefits the people and the economy of the Northwest Territories by

- *encouraging the creation and development of business enterprises;*
- *providing financial assistance to business enterprises, either on its own or as a complement to private sector or other financing;*
- *directly investing in business enterprises; and*
- *providing information to business enterprises and members of the public respecting*
    - *the establishment and operation of businesses, and*
    - *other business matters.*

(BDIC Act)

The Vision

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

The Mission

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

We are proactive, bringing stakeholders together to enhance business capacity, sustain self-sufficiency and increase community prosperity.

The BDIC's vision and mission emphasize the importance of business development in ensuring long-term prosperity for the NWT. The vision and mission also recognize that a sustainable economy is based on Northerners' capacity to establish and maintain successful businesses, allowing them to be self-reliant and to participate fully in the economic and social life of the NWT.

The BDIC's Board

The BDIC's directors are appointed by the Minister responsible for the BDIC. The BDIC Board directs and manages the BDIC's affairs and establishes policies and operational guidelines for the BDIC's programs.

The BDIC Board has three committees:

- the Audit Committee, which assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the performance process and the BDIC's process of monitoring compliance with laws, governing acts, regulations and directives and the code of conduct; and
- the Appeals Committee, which reviews appeals on financial program applications rejected by the Application Review Committee (ARC) or the Chief Executive Officer (CEO).
- the Applications Review Committee, which reviews financial program applications over $500,000 and not exceeding $2,000,000.

BDIC Board of Directors	
Darrel Beaulieu, Chairperson	N'dilo
Denise Yuhas, Vice Chairperson	Fort Smith
Janet-Marie Fizer, Director+	Hay River
Marven Gruben, Director	Tuktoyaktuk
Paul Komaromi, Director++	Inuvik
Albert Lafferty, Director	Fort Providence
Curtis Shaw, Director	Yellowknife
Joanne Deneron, Director	Fort Liard
Warren Wright, Director	Norman Wells

+ Resigned on May 8, 2008
++Resigned on March 31, 2009

Appeals Committee
BDIC Board Chairperson or
Vice Chairperson
Any other two Board members

Audit Committee
Paul Komaromi, Chairperson+
Curtis Shaw, Member
Denise Yuhas, Member
Rhona Stanislaus, Member
Louise Lavoie, Member

+Resigned on March 31, 2009

Figure 1 - BDIC Board and Committee Membership as of March 31, 2009

Director	Board Meetings Attended	Audit Committee Meetings Attended
Darrel Beaulieu	4 out of 5	Not Applicable
Denise Yuhas	5 out of 5	3 out of 3
Janet-Marie Fizer+	0 out of 1	Not Applicable
Albert Lafferty	3 out of 5	Not Applicable
Curtis Shaw	3 out of 5	3 out of 3
Paul Komaromi	5 out of 5	3 out of 3
Marven Gruben	2 out of 5	Not Applicable
Joanne Deneron	5 out of 5	Not Applicable
Warren Wright	5 out of 5	Not Applicable

+ was a Director for only part of the 2008/2009 fiscal year.

Table 1 - BDIC Board and Committee Attendance in 2008/2009

The BDIC's Staff

In 2008/2009, two BDIC employees received long service awards in recognition of their years of employment with the Government of the Northwest Territories:

- Pawan Chugh (10 years)
- Brandi Burbidge (10 years)

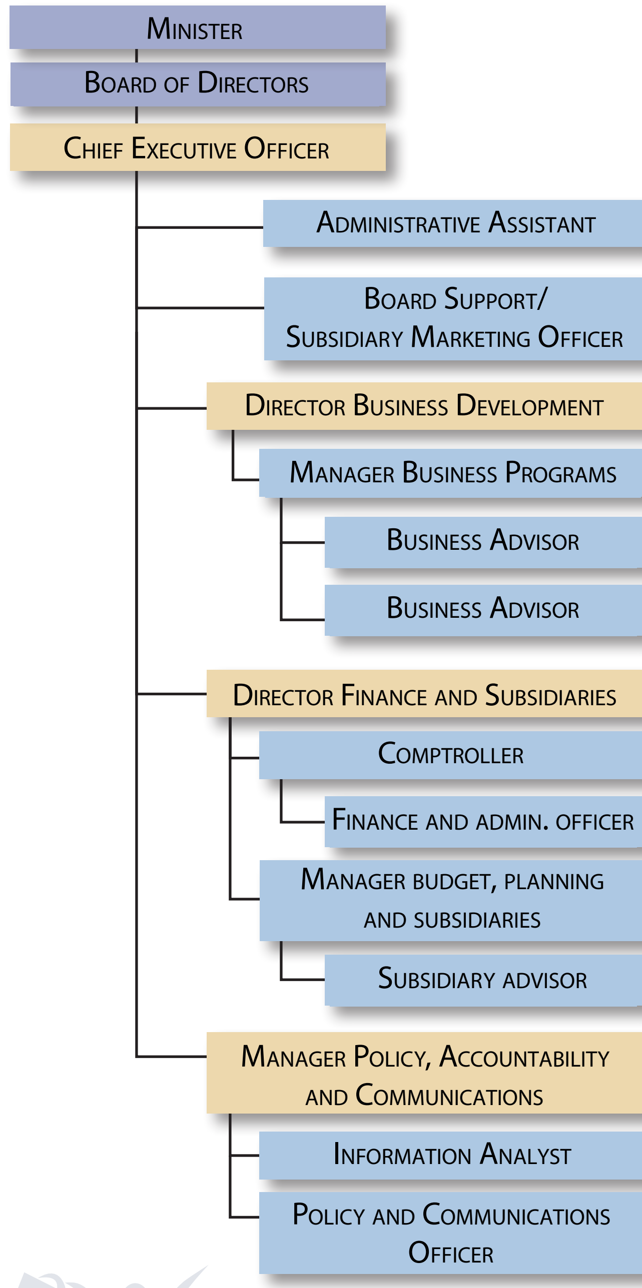

Figure 2 - BDIC Organizational Structure as of March 31, 2009

Programs & Activities

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

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

Financial Programs

Credit Facilities Program

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

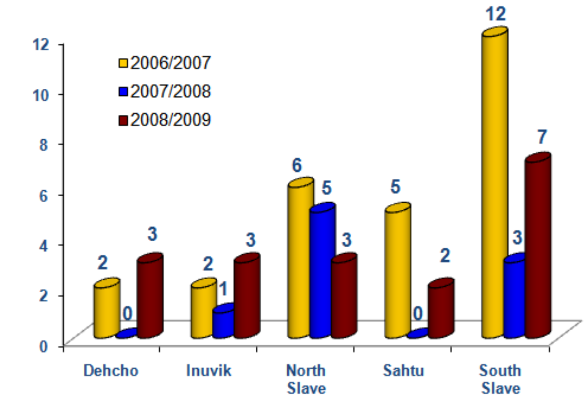

Figure 3 - Number of approved credit facilities by region (2006/2007 - 2008/2009)

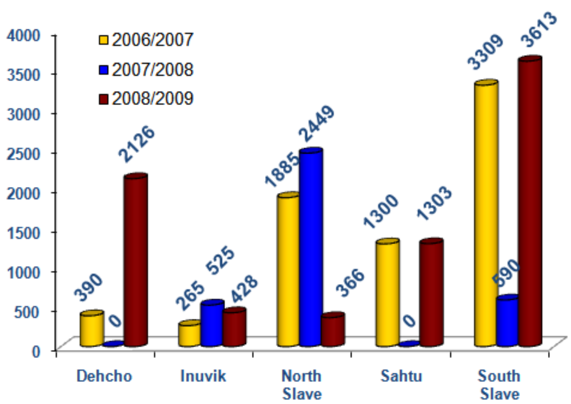

Figure 4 - value of approved credit facilities by region (2006/2007 - 2008/2009) ($000)

The BDIC processed 32 applications for credit facilities in 2008/2009 with a total value of $15,529,000, including 6 which were received in 2007/2008. Eighteen applications with a total value of $7,837,384 were approved. Thirty one credit facilities were renewed in 2008/2009, with a total value of $6,598,341 (including one Standby Letter of Credit valued at $30,000). Twenty-five credit facilities were paid in full during the year, representing a total repayment of $2,994,957.

Communities by Region

Dehcho

Fort Liard, Fort Simpson, Jean Marie River, Nahanni Butte, Trout Lake, Tungsten and Wrigley.

Inuvik

Aklavik, Fort McPherson, Inuvik, Paulatuk, Sachs Harbour, Tsiigehtchic, Tuktoyaktuk and Ulukhaktok.

North Slave (including Tlicho)

Behchokò, Dettah, Gamètì, N'dilo, Wekweètì, Whatì and Yellowknife

Sahtu

Colville Lake, Deline, Fort Good Hope, Norman Wells and Tulita.

South Slave

Enterprise, Fort Providence, Fort Resolution, Fort Smith, Hay River, Hay River Reserve, Kakisa, Lutselk'e, Reliance and Rocher River.

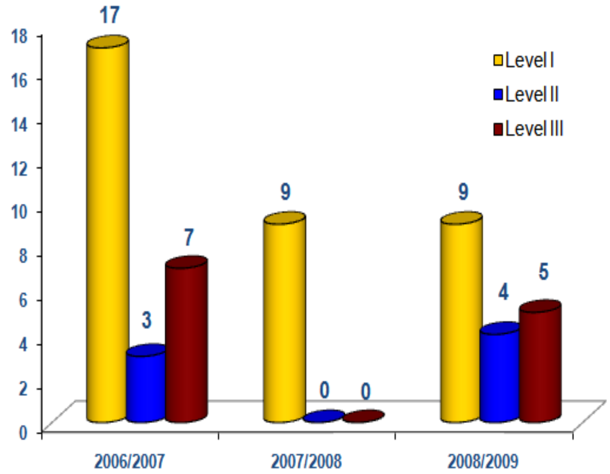

Figure 5 - Number of approved credit facilities by community level (2006/2007 - 2008/2009)

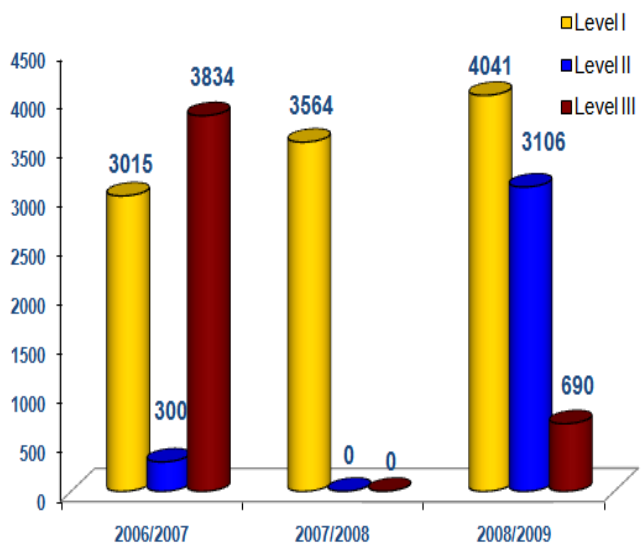

Figure 6 - Value of approved credit faciilities by community level (2006/2007 - 2008/2009) ($000)

Eleven applications from Level II and III communities were processed in 2008/2009, up from four in 2007/2008. Approved applications jumped from zero in 2007/2008 to nine in 2008/2009, including one carried over from the previous year. As a result, 50% of approved applicants for credit facility funding in 2008/2009 went to Level II and III communities.

Community Levels

Level I Communities
Communities with well developed business infrastructure and air/road transportation links – Fort Smith, Hay River, Inuvik and Yellowknife.

Level II Communities
Communities with business infrastructure and air/road transportation links – Behchokò, Fort Simpson and Norman Wells.

Level III Communities
Communities with the least developed business infrastructure and air/road transportation links – all the communities not listed above.

Subsidiary Program

The BDIC owns eight subsidiary companies. All but one of its subsidiaries are located in Level III communities. There are BDIC subsidiaries in the Dehcho, Inuvik, North Slave and South Slave regions of the NWT.

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

The BDIC's subsidiaries are governed by Boards of Directors, which are chosen from the community, along with the BDIC Board and staff.

No existing subsidiaries were divested or closed in 2008/2009.

Subsidiary	Year of Incorporation	2008/2009 Board of Directors
5983 NWT Ltd.	2008	Pawan Chugh
		Marven Gruben
		Paul Komaromi+
		Louie Nigiyok
		Joseph Perry
913044 NWT Ltd. (o/a Fort McPherson Tent & Canvas Shop)	1991	Pawan Chugh
		Paul Komaromi+
		Leonard Kwong
		Bill Prodromidis
		Shane Sterrett
Acho Dene Native Crafts Ltd.	1992	Pawan Chugh
		Alma Jumbo
		Irene McLeod
		Curtis Shaw
		Denise Yuhas
Aklavik and Tuktoyaktuk Furs Ltd.	1997	Pawan Chugh

+resigned on march 31, 2009

Subsidiary	Year of Incorporation	2007/2008 Board of Directors
Arctic Canada Trading Co. Ltd.	1992	Pawan Chugh
		Paul Komaromi+
		Denise Yuhas
Dene Fur Clouds Ltd.	1997	Pawan Chugh
		Denise Yuhas
		Leonard Kwong
Nahanni Butte General Store Ltd.	1992	Pawan Chugh
		Curtis Shaw
		Denise Yuhas
Rae Lakes General Store Ltd.	1992	Frank Arrowmaker
		Darrel Beaulieu
		Pawan Chugh
		Germaine Eyakfwo
		Leonard Kwong

+resigned on march 31, 2009

Table 2 - BDIC subsidiaries and their boards 2008/2009

Venture Investment Program

The BDIC invests in northern businesses in return for preferred shares. These long-term investments are a form of patient capital to enhance clients' ongoing stake in a business or project.

No new venture investments were made in 2008/2009.

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

TABLE 3 - BDIC VENTURE INVESTMENTS

Contribution Programs

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

In 2008/2009, the BDIC received 17 applications for contributions with a total value of $151,000. Eleven applications, with a total value of $99,000, were approved.

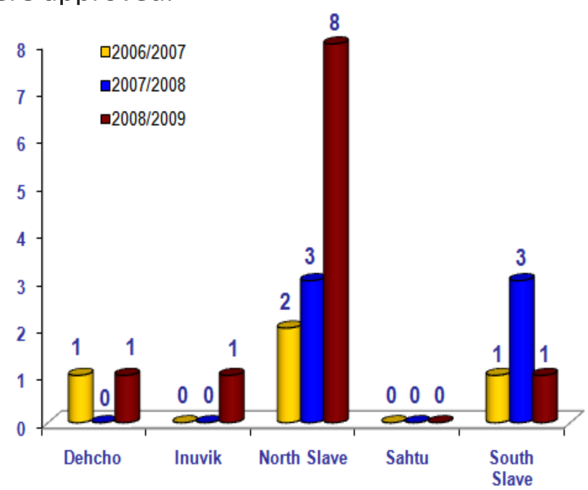

FIGURE 7 - NUMBER OF APPROVED CONTRIBUTION APPLICATIONS BY REGION (2006/2007 - 2008/2009)

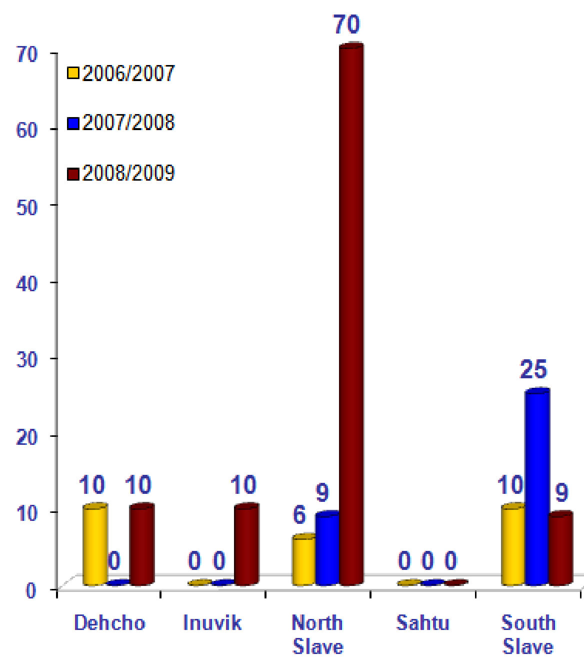

FIGURE 8 - VALUE OF APPROVED CONTRIBUTION APPLICATIONS BY REGION (2006/2007 - 2008/2009) ($000)

Written-Off and Forgiven Accounts

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

In 2008/2009, the Legislative Assembly wrote off seven BDIC accounts totalling $424,708.95 and the BDIC Board wrote off ten accounts totalling $96,260.62.

Name of Business	Amount
963986 NWT Ltd. (o/a S&E Construction)	$14,420.09
Buckley, Kevin	$2,682.55
Buckley, Wendy (o/a Styles Hair Salon)	$17,978.44
Cardinal, Lloyd (o/a Fort Resolution General Maintenance and Mechanical)	$1,581.20
Larry Firth	$2,394.66
Grant, Richard	$3,925.70
Kochon, Wilbert (o/a WD Services)	$9,325.85
Kolson, Brenda (o/a Creative Visions North)	$12,834.45
Kosaolofski, Adrian (o/a Adrian's Mechanical)	$12,821.82
P & G Services Ltd.	$18,295.86

Table 4 - BDIC Accounts Written Off (2008/2009)

Name of Business	Amount
Champ Construction Ltd	$80,163.16
Cross Creative Media Corporation	$192,660.31
Cardinal, Donald	$66,329.60
Norn, Ken	$23,248.36
Northwest Cleaning Ltd.	$62,307.52

Table 5 - BDIC Accounts written off by legislative assembly (2008/2009)

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

In 2008/2009, the Legislative Assembly forgave five BDIC totalling $734,116.70.

In 2008/2009, the BDIC recovered $6,730.62 on accounts previously written off.

Name of Business	Amount
4684 NWT Ltd. (o/a Pages)	$175,786.76
Booyah Corporation	$67,296.91
Holland, Margaret	$31,181.19
Kana'kes Aurora Tours Ltd.	$34,251.84
Red Dog Mountain Contracting Ltd.	$425,600.00

Table 6 - BDIC Accounts Forgiven (2008/2009)

Business Services

The BDIC offers information to support potential clients and provides aftercare to existing clients. These services are available through Canada Business NWT (CBNWT), which is operated in partnership with Industry Canada.

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

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

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

In 2008/2009, CBNWT responded to a total of 331 inquiries received by telephone, email, and in-person visits. CBNWT also offered 69 videoconference events on topics such as developing a marketing plan, understanding the role of aboriginal capital corporations, and income tax basics for sole proprietors and partnerships to 139 participants in Yellowknife.

Community Futures Development Corporations

Community Futures Development Corporations (CFDCs) support community economic development and diversification and the creation and maintenance of small and medium-sized businesses. The BDIC supports the seven CFDCs in the NWT by coordinating partnerships and capacity-building events and by lending the CFDCs loan capital to supplement their capital reserves.

As part of the loan capital arrangement, CFDCs which borrow money from the BDIC may ask the BDIC to take over uncollectible loans made from those funds. These loans are then subject to the BDIC's collections process, ending in write-off or forgiveness of amounts that cannot be collected.

In 2008/2009, the Akaitcho Business Development Corporation (N'dilo) and Thebacha Business Development Services Inc. (Fort Smith) had active loan capital arrangements with the BDIC.

Job Creation or Maintenance

In 2008/2009, the BDIC's venture investments and subsidiaries created or maintained 56.74 direct jobs and 13.00 indirect jobs, for a total of 69.74 full-time equivalent jobs. This represents a increase of 12.24 jobs from the total for 2007/2008 (57.50 jobs created or maintained).

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

	2008/2009	
Investment	**Direct Jobs**	**Indirect Jobs**
Subsidiaries		
913044 NWT Ltd (o/a Fort McPherson Tent & Canvas Shop)	6.15	
5983 NWT Ltd.	0	
Acho Dene Native Crafts Ltd.	2.20	
Arctic Canada Trading Co. Ltd.	0	
Dene Fur Clouds Ltd.	4.45	
Nahanni Butte General Store Ltd.	3.00	
Rae Lakes General Store Ltd.	6.69	
Subsidiary Total	**22.49**	**6.00**
Venture Investments	***34.25***[1]	**7.00**
Total jobs created or maintained	**56.74**	**13.00**

[1] The BDIC considers 1,725 hours of work in a year to be equivalent to 1 full-time job. Direct job figures for venture investments are as provided by the client.

Table 7 – Direct and Indirect Jobs Created or Maintained

Financial Assistance & Investments

The BDIC provided financial assistance to or invested in the following NWT businesses during the 2008/2009 fiscal year.

Name of Business	Owner(s)	Community	Financial Program	Total Amount Disbursed
5510 NWT Ltd. (o/a Kozy Carpets and Interiors)	Darcy Greer	Fort Smith	Credit	$165,000
6067 NWT Ltd.	Kimberley Staples-Lakhani	Yellowknife	Contribution	$10,000
913044 NWT Ltd (o/a Fort McPherson Tent & Canvas Shop)	NWT BDIC	Fort McPherson	Subsidiary	$70,000
Acho Dene Native Crafts Ltd.	NWT BDIC	Fort Liard	Subsidiary	$125,000
Buena Vista Properties Ltd.	Vince Brown Hildegard Williams	Inuvik	Credit	$197,550
Diamond Drycleaners	Candace Cousineau Dominique Cousineau	Yellowknife	Credit	$198,429
Dene Fur Clouds Ltd.	NWT BDIC	Fort Providence	Subsidiary	$200,000
Enodah Wilderness Travel Ltd.	Doreen Wesstrom Ragner Wesstrom	Yellowknife	Credit	$68,000
Fabian, Frank (o/a Frank's Water Service)	Frank Fabian	Hay River Reserve	Credit	$168,500
Fatt, Ron	Ron Fatt	Lutselk'e	Contribution	$10,000
H & H Books (o/a Eternal Rock)	Al Harvey Mark Hilman	Yellowknife	Contribution	$10,000
Hopkins, Melanie Judith	Melanie Judith Hopkins	Yellowknife	Contribution	$8,449
Ice Wireless	Don Sian Don Yamkowy Tom Zubko	Inuvik	Contribution	$10,000
Just Furs Ltd.	Kristine Bourque	Yellowknife	Contribution	$1,708

Name of Business	Owner(s)	Community	Financial Program	Total Amount Disbursed
Monster Recreational Products Ltd.	Janet-Marie Fizer Pat Williams	Hay River	Credit	$890,000
Nahanni Butte General Store Ltd.	NWT BDIC	Nahanni Butte	Subsidiary	$125,000
Nahendeh Developments Ltd.	923209 NWT Ltd. Ehmbee Ltd. Fort Simpson Metis Development Corporation Seamus Henry Nick Sibbeston	Yellownkife	Credit	$1,576,000
Northridge Contracting	Carmen Audet Pascal Audet Rejean Audet	NormanWells	Credit	$980,000
Perdomo, Efrain (o/a IDUMEA Fine Craft)	Efrain Perdomo	Yellowknife	Contribution	$10,000
Popplestone, Terry (o/a Terry's Carpentry)	Terry Popplestone	Fort Smith	Credit	$396,000
Rae Lakes General Store Ltd.	NWT BDIC	Gamètì	Subsidiary	$115,000
Roper, Shawn (o/a Rehabilitation Focus)	Shawn Roper	Yellowknife	Contribution	$8,628
Tee Jay Contracting Inc.	Patricia McNeely Wilfred McNeely	Fort Good Hope	Credit	$323,680
Therrien, Jamie (o/a Final Touch)	Jamie Therrien	Fort Smith	Credit	$155,000
Tulita Developments Ltd.	Tulita Dene Band	Tulita	Credit	$166,333
Williams, Pat	Pat Williams	Hay River	Contribution	$9,075
Total BDIC financial assistance and investment in 2008/2009				**$5,988,352**

Table 8 – Financial Assistance and Investments Provided by the BDIC in 2008/2009

Financial Statements

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

March 31, 2009

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.

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

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

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

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

Pawan Chugh	Leonard Kwong
Chief Executive Officer	Director, Finance and Subsidiaries

December 7, 2009, except as to Note 21 which is as of January 22, 2010.
Yellowknife, Canada

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

I have audited the consolidated balance sheet of the Northwest Territories Business Development and Investment Corporation as at March 31, 2009 and the consolidated statements of operations and comprehensive income, changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As explained in Note 2 to the consolidated financial statements, the Corporation did not apply Accounting Guideline 15 – *Consolidation of Variable Interest Entities* as required under Canadian generally accepted accounting principles. This Guideline discusses the application of consolidation principles to certain variable interest entities that are subject to control on a basis other than ownership of voting interests and provides guidance for determining when an enterprise includes the assets, liabilities and results of activities of such an entity in its consolidated financial statements. Accordingly, I was not able to determine whether any adjustments might be necessary to the reported assets, liabilities, revenues and expenses, cash flows, and the related note disclosures to the consolidated financial statements, as a result of the non-consolidation of variable interest entities related to the Corporation's venture investments and loans receivable portfolios.

In my opinion, except for the effect of adjustments, if any, which may have been necessary had I been able to satisfy myself concerning the matter described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, except for the change in the method of accounting for inventories as explained in Note 2 (m) to the consolidated financial statements, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, except for the effects of the limitations in the scope of my audit of the matter described in the preceding paragraphs, proper books of account have been kept by the Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the 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 Corporation, with the exception that the Corporation did not meet its statutory deadline for submitting its annual report to its Minister as described in the following paragraph.

Section 100 of the *Financial Administration Act* of the Northwest Territories requires the Corporation to submit its annual report to its Minister not later than ninety days after the end of its financial year. This Act also permits an additional extension, not exceeding sixty days, which was requested by the Corporation and approved by the Minister of Finance. The Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the year ended March 31, 2009.

Guy LeGras, CA
Principal
for the Auditor General of Canada

Edmonton, Canada
December 7, 2009, except as to Note 21 which is as of January 22, 2010

Northwest Territories Business Development and Investment Corporation

Consolidated Balance Sheet

As at March 31		000's 2009		2008
Assets				
Cash (Note 3)	$	11,182	$	10,153
Accounts receivable		484		296
Inventory (Note 4)		1,179		985
Prepaid expenses		281		296
		13,126		11,730
Loans receivable (net of allowance for credit losses) (Notes 5 and 6)		27,138		26,975
Venture investments (Note 7)		137		137
Property and equipment (Note 8)		371		414
Accrued benefit asset (Note 15b)		324		336
	$	**41,096**	**$**	**39,592**
Liabilities				
Bank indebtedness	$	-	$	22
Accounts payable and accrued liabilities		797		588
Current portion of employee future benefits (Note 15b)		-		41
		797		651
Advances from the Government (Note 10)		27,729		29,432
Deferred subsidy contributions (Note 11)		1,116		1,329
Deferred capital contributions (Note 12)		2,041		1,630
Employee future benefits (Note 15b)		324		295
Asset retirement obligations (Note 9)		122		123
		31,332		32,809
Equity				
Contributed surplus		715		715
Retained earnings		8,252		5,417
		8,967		6,132
	$	**41,096**	**$**	**39,592**

Guarantees, commitments and contingent liability (Note 19)

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

Approved by:

Darrell Beaulieu
Chairperson of the Board of Directors

Paul Komaromi
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Operations and Comprehensive Income

For the year ended March 31		000's 2009		2008
Lending and investments				
Income on loans receivable and venture investments				
Interest	$	2,407	$	2,131
Dividends and other income		77		24
Interest on pooled cash (Note 3)		275		456
		2,759		2,611
Interest expense on advances from the Government		703		1,226
Recovery of credit losses, net (Note 6)		(412)		(36)
Write-down of venture investments, net		-		15
Operating and administrative expenses (Note 14)		3,215		3,134
Net loss on lending and investments		**(747)**		**(1,728)**
Retail and manufacturing				
Sales		2,215		2,260
Cost of goods sold		1,692		1,600
Gross margin		523		660
Other income		46		98
Operating and administrative expenses (Note 14)		1,279		1,226
Net loss on retail and manufacturing		**(710)**		**(468)**
Net loss from operations		**(1,457)**		**(2,196)**
Government contributions (Note 13)		4,292		4,118
Net income and comprehensive income	**$**	**2,835**	**$**	**1,922**

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

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Changes in Retained Earnings

For the year ended March 31		000's 2009		2008
Retained earnings				
Balance, beginning of year	$	5,417	$	3,585
Transitional adjustment on adoption of financial instruments standards (Note 2 (k))		-		(90)
Net income and comprehensive income		2,835		1,922
Balance, end of year	**$**	**8,252**	**$**	**5,417**

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

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Cash Flows

For the year ended March 31		000's 2009		2008
Operating activities				
Net income and comprehensive income	$	2,835	$	1,922
Items not affecting cash				
Amortization of property and equipment		66		54
Amortization of deferred capital contributions (Note 12)		(29)		(30)
Gain on disposal of property and equipment		(10)		-
Grants in kind to Community Futures organizations		-		86
Accretion expense, net of valuation adjustments		(1)		6
Provision and write-downs, net of recoveries, related to loans receivables and ventures investments		(412)		(21)
Change in non-cash operating working capital (Note 16)		(157)		(139)
Cash flows provided by operating activities		**2,292**		**1,878**
Investing activities				
Loans receivable disbursed		(4,534)		(4,588)
Loans receivable repaid		4,792		6,663
Recoveries and redemptions of venture investments		-		13
Proceeds of disposal of property and equipment		8		-
Acquisition of property and equipment		(31)		(107)
Cash flows provided by investing activities		**235**		**1,981**
Financing activities				
Repayment of advances from the Government		(1,703)		(3,697)
Subsidy contributions received (Note 11)		500		500
Subsidy contributions disbursed (Note 11)		(713)		(544)
Capital contributions received (Note 12)		440		329
Cash flows used in financing activities		**(1,476)**		**(3,412)**
Increase in cash		**1,051**		**447**
Cash, beginning of year		10,131		9,684
Cash, end of year	**$**	**11,182**	**$**	**10,131**
Represented by:				
Cash	$	11,182	$	10,153
Bank indebtedness		-		(22)
	$	**11,182**	**$**	**10,131**
Supplemental disclosure of cash flow information				
Amount of interest paid in the year	$	703	$	1,226

The accompanying notes 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* (FAA). Accordingly, the Corporation operates in accordance with Part IX of the FAA, the *Northwest Territories Business Development and Investment Corporation Act* and its regulations, and any directives issued to it by the Minister responsible for the Corporation under Section 4 of the Act. One directive was issued by the Minister to the Corporation during the year, which clarified the specific priorities for the Corporation.

(b) Mandate

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

(c) Government contributions and advances

In accordance with Section 30 of the Act, the Corporation must annually submit a corporate plan, operating budget and capital budget identifying the contributions requested from the Government for approval by the Financial Management Board (FMB) prior to the commencement of the fiscal year. The contributions received from the Government are for the purposes of financing the Corporation's general operations, making capital investments in, and providing working capital advances and operating subsidies to subsidiaries based on need, providing contributions for business development projects, and purchasing capital assets for the Corporation. The contributions must be used for the purposes intended and are not repayable.

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

Section 26 of the Act also authorizes the Government to advance to the Corporation an amount out of the Consolidated Revenue Fund not exceeding $150 million for the purposes of providing financial assistance to or making investments in business enterprises. The advance is repayable to the Government on such terms and conditions as the Minister of Finance may determine.

(d) Taxes

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

2. Significant accounting policies

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

The preparation of the financial statements, in accordance with GAAP, requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant estimates relate to the determination of the allowance for credit losses and the estimate of fair value of the loan portfolio. A variation in the quality of the loan portfolio or economic conditions under which these estimates are made could result in significant changes in these management judgements.

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

(a) Basis of consolidation

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

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

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

Subsidiary	Location	Percentage Ownership	Incorporation Date
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.	Ulukhaktok, NT	100%	February 12, 2008

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiary	Location	Percentage Ownership	Incorporation Date
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
Rae Lakes General Store Ltd.	Gamètl, NT	100%	October 14, 1992

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

(b) Cash

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

(c) Inventory

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

(d) Loans receivable

Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. In addition, a loan is also classified as impaired when, payment is three months past due, unless the loan is fully secured; or payment is six months past due regardless of whether or not the loan is fully secured.

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

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

2. Significant accounting policies (continued)

(d) Loans receivable (continued)

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

(e) Allowance for credit losses

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

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

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

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

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

(f) Venture investments

Venture investments are recorded at cost as there is no active market, less any write-downs to reflect any impairment in value.

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

2. Significant accounting policies (continued)

(g) Property and equipment

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

Buildings	20 years
All other assets	4 years

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

(h) Asset retirement obligations

The fair value of an asset retirement obligation is recognized in the period in which the obligation is incurred and is discounted from the expected date of settlement back to its present value using the Corporation's credit-adjusted risk-free rate. The fair value of the estimated obligation is recorded as a long term liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to net income in a manner consistent with the amortization of the underlying asset. The liability amount is increased in each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of a retirement obligation are charged against the obligation to the extent of the liability recorded.

(i) Contributions from the Government

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

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

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

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

2. Significant accounting policies (continued)

(j) Employee future benefits

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

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

(k) Financial instruments – recognition and measurement

The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 prescribes the recognition and measurement of financial instruments and requires that all financial assets and liabilities (including derivatives) be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the classification of the instruments.

The Corporation adopted the following policies with respect of the recognition and measurement of financial instruments.

Classification of financial instruments

Held-for-trading
A financial instrument that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term is required to be classified as held-for-trading. The Corporation classified cash, bank indebtedness as well as derivatives and embedded derivatives as held-for-trading. The carrying value of cash and bank indebtedness approximates the fair amount due to the short term to maturity. The Corporation has not entered into any derivative financial instruments since April 1, 2007.

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

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

2. Significant accounting policies (continued)

(k) Financial instruments – recognition and measurement (continued)

Classification of financial instruments (continued)

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

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

Embedded derivatives

Section 3855 also requires all entities to identify and separately account for certain embedded derivatives and to search for derivatives if they are embedded in existing contracts. An embedded derivative is a component within a financial instrument or other contract that has features similar to a derivative. Derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivative would meet the definition of a derivative if it was a free standing instrument, and the combined contract is not designated as held-for-trading. The Corporation applied this accounting treatment to all host contracts that have been entered into or substantially modified after April 1, 2003. As at March 31 2009, the Corporation does not have any outstanding contracts or other financial instruments with embedded derivatives requiring valuation as a separate derivative.

Other financial instrument accounting policies

Transaction costs related to financial instruments are expensed in the year they are incurred.

(l) Comprehensive income

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions and no amounts have been reclassified to accumulated other comprehensive income. Currently the Corporation has no other comprehensive income.

(m) New accounting standards

Financial instruments – presentation and disclosure

Effective April 1, 2008, the following new standards issued by the CICA became effective for the Corporation: Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. The adoption of these new sections resulted in additional disclosures with respect to the nature and extent of risks arising from financial instruments and how the Corporation manages those risks.

2. Significant accounting policies (continued)

(m) New accounting standards (continued)

In October 2008, the CICA issued amendments to Section 3855, Financial Instruments – Recognition and Measurement, and Section 3862, Financial Instruments – Disclosures. These amendments permit the reclassification of non-derivative financial assets out of the held-for-trading and available-for-sale categories under specified circumstances. The Corporation did not reclassify any non-derivative financial assets, and therefore, there is no impact on these financial statements from the amendments.

Capital disclosures

During the year, the Corporation adopted the new standards in Section 1535, Capital Disclosures. As a result of the adoption of Section 1535, the Corporation has increased disclosures regarding its objectives, policies and processes for managing its capital, the quantitative data about what the Corporation regards as capital, whether the Corporation has complied with any capital requirements and also if it has not complied, the consequences of such non-compliance. The Corporation's management of its capital is described in note 18.

Inventories

CICA Handbook Section 3031, Inventories, establishes Canadian GAAP practices for the measurement and disclosure of inventories. This new accounting standard is effective for the Corporation's fiscal year ending March 31, 2009. The new standard provides guidance on the determination of costs, including allocation of overhead, narrows the permitted cost formulas, requires impairment testing, and expands the disclosure requirements to increase transparency. The adoption of the new standards had no significant impact on the Corporation's financial statements.

(n) Future accounting changes

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board (AcSB) announced its decision to replace Canadian Generally Accepted Accounting Principles with IFRS for all Publicly Accountable Enterprises.

In July 2009, the Public Sector Accounting Board issued an Exposure Draft (the Draft) entitled "*Financial Reporting by Certain Government Organizations (Amendment to Introduction)*" for comments. The Corporation is currently classified as a Government Business Type Organization, however under the Draft, that classification is eliminated and the Corporation would be classified as an Other Government Organization (OGO). Entities classified as OGOs would generally base their financial reporting on the Public Sector Accounting (PSA) Handbook and may adopt IFRS if determined to be more appropriate for financial reporting. The transition for adoption under either method of reporting is beginning on or after January 1, 2011. The Corporation is currently assessing the appropriateness and implications of adopting the PSA Handbook as the basis of accounting to prepare its financial statements.

3. Cash

Cash is comprised of cash held by the Corporation for operations, as well as in funds and reserves established under the Act, and cash held by subsidiaries. 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 2.3% during the year (2008: 4.1%).

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

In addition to these funds, the Corporation is required under the Regulations Part 2 Sections 18 (6) and 19 (5) to establish a Capital Reserve Fund and Venture Reserve Fund respectively. The Corporation will continue to deposit to the reserve funds an amount equal to 10% of each capital or venture investment made. The Corporation may use the reserve funds for further investment or financing for its subsidiaries and venture investments through approved drawdowns.

	000's	
	2009	**2008**
Cash held by the Corporation for operations	$ 3,166	$ 2,582
Cash held by subsidiaries	780	378
	3,946	2,960
Venture Investment Fund	3,618	3,605
Subsidy Fund	1,117	1,329
Capital Fund	1,234	1,184
Venture Reserve Fund	485	485
Capital Reserve Fund	59	162
Loans and Bonds Fund	723	428
	7,236	7,193
	$ 11,182	**$ 10,153**

4. Inventory

	000's			
		2009		2008
Finished goods	$	943	$	696
Raw materials		212		228
Work-in-process		24		61
	$	**1,179**	**$**	**985**

During the year, inventories of $ 51,000 were written down (2008: $ 8,000) and no inventories were pledged as security for liabilities. Also during the year, the corporation had recoveries of $8,000 (2008 – nil) on inventory that had been previously written down to nil carrying value. Inventory write-downs and recoveries are included in the cost of goods sold.

5. Loans receivable

The Corporation provides fixed rate loans for periods up to five years with the amortization period not to exceed twenty-five years. Note 21 highlights changes to the lending program subsequent to year end.

As of March 31, 2009, loans receivable are expected to mature as follows:

		000's					
		2009			2008		
		Rate		Balances	Rate		Balances
Performing loans due within:	1 year	6.88	$	3,060	7.93	$	5,446
	1-2 years	6.68		5,188	6.81		5,325
	2-3 years	8.10		1,562	6.50		4,860
	3-4 years	8.10		4,862	8.30		2,448
	over 4 years	7.78		10,534	7.95		6,327
				25,206			24,406
Accrued loan interest receivable				173			174
Impaired loans				9,514			11,191
				34,893			35,771
Less: allowance for credit losses (Note 6)				7,755			8,796
			$	**27,138**		**$**	**26,975**

In 2009, seven loan accounts representing five borrowers totalling $324,000 (2008: $286,000) were written off by the Legislative Assembly. Nine loan accounts representing nine borrowers totalling $50,000 (2008: $12,000) were written off by the Board of Directors. In 2009, five accounts representing five borrowers totalling $255,000 (2008: $1,372,000) were forgiven by the Legislative Assembly. No accounts were forgiven by the FMB during the current year (2008: nil).

In 2009, recoveries on loans receivable previously written off totalled $7,000 (2008: $4,000).

5. Loan receivable (continued)

Concentration of credit risk

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

Geographic concentration

	000's			
	2009		2008	
Region	Performing	Impaired	Performing	Impaired
South Slave	$ 10,607	$ 3,513	$ 10,300	$ 4,572
North Slave	6,473	3,425	7,417	3,760
Inuvik	1,951	1,188	2,002	1,242
Dehcho	2,558	824	2,273	894
Sahtu	3,617	564	2,414	723
	$ 25,206	**$ 9,514**	**$ 24,406**	**$ 11,191**

Enterprise concentration

	000's			
	2009		2008	
Enterprise	Performing	Impaired	Performing	Impaired
Construction	$ 6,526	$ 748	$ 5,572	$ 1,045
Retail trade	5,211	1,138	4,819	1,090
Accommodations, food and beverage	3,721	1,113	4,744	1,314
Transportation and storage	1,896	366	1,938	412
Travel and tourism	237	2,315	290	2,303
Fisheries and wildlife harvesting	12	637	17	697
Finance and insurance	735	658	758	722
Oil and gas	-	942	-	1,142
Manufacturing	140	257	146	360
Communication	93	290	163	513
Forestry and logging	4	5	10	15
Other services	6,631	1,045	5,949	1,578
	$ 25,206	**$ 9,514**	**$ 24,406**	**$ 11,191**

The loans receivable contains loans, totalling $792,000, made to venture investees (2008: $760,000). The loans are in addition to the venture investments shown in Note 7.

5. Loan receivable (continued)

The following table illustrates performing loans outstanding as at March 31 classified by credit risk exposure.

Client credit risk exposure	000's 2009		2008	
Low	$ 10,160	40.3%	$ 11,992	49.1%
Medium	9,220	36.7%	11,142	45.7%
High	5,826	23.0%	1,272	5.2%
	$ 25,206	**100.0%**	**$ 24,406**	**100.0%**

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

Loans Past Due but Not Impaired	Within 1 month (000's)	2 to 3 months	Over 3 months	Total
As at March 31, 2009	$ 1,810	$ 1,392	$ -	$ 3,202
As at March 31, 2008	2,400	436	-	2,836

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 2009 (2008: nil).

6. Allowance for credit losses

	000's 2009	2008
Balance, beginning of year	$ 8,796	$ 10,502
Provision for credit losses	625	948
Recoveries	(1,037)	(984)
Write-offs and forgiveness (Note 5)	(629)	(1,670)
Balance, end of year	**$ 7,755**	**$ 8,796**
Comprised of:		
Specific allowance	$ 7,251	$ 8,306
General allowance	504	490
	$ 7,755	**$ 8,796**

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, 2009, the Corporation does not have significant influence in the companies in which it has invested.

	000's	
	2009	2008
Balance, beginning of year	$ 137	$ 164
Write-downs	-	(27)
Balance, end of year	**$ 137**	**$ 137**

In 2009, the Corporation had no recoveries (2008: $13,000) on investments previously written off.

Preferred shares and dividends

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

8. Property and equipment

	000's			
	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Land	$ 20	$ -	$ 20	$ 20
Buildings	4,626	4,341	285	321
Equipment	839	814	25	18
Leasehold improvements	137	120	17	27
Computer equipment	33	27	6	-
Vehicles	93	75	18	28
	$ 5,748	**$ 5,377**	**$ 371**	**$ 414**

9. Asset retirement obligations

	000's	
	2009	2008
Balance, beginning of year	$ 123	$ 117
Accretion expense	6	6
Valuation adjustment	(7)	-
Balance, end of year	**$ 122**	**$ 123**

9. Asset retirement obligations (continued)

The Corporation estimates the undiscounted amount of cash flows required to settle the asset retirement obligations is approximately $152,200 which will be incurred between 2010 and 2034. Credit-adjusted risk-free rates between 4.88% and 7.75% were used to calculate the carrying values of the asset retirement obligations. No funds have been set aside by the Corporation to settle the asset retirement obligations.

10. Advances from the Government of the Northwest Territories

The Act authorizes the Corporation to borrow for the purpose of lending and for minority equity investments, up to $150 million from the Government through advances. Increases to the outstanding balance of the advances must be approved by the FMB based on the needs of the Corporation. The balance was not to exceed $45 million (2008: $45 million) as at March 31, 2009.

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 1.3% to 3.4% (2008: 2.7% to 4.7%) during the year.

11. Deferred subsidy contributions

	000's	
	2009	**2008**
Balance, beginning of year	$ 1,329	$ 1,373
Subsidy contributions received during the year	500	500
Subsidies paid to subsidiaries and for business development projects during the year (Note 13)	(713)	(544)
Balance, end of year	**$ 1,116**	**$ 1,329**

12. Deferred capital contributions

	000's	
	2009	**2008**
Balance, beginning of year	$ 1,630	$ 1,331
Capital contributions received during the year	440	329
Amortization of deferred capital contributions	(29)	(30)
Balance, end of year	**$ 2,041**	**$ 1,630**
Comprised of:		
Capital contributions allocated but unexpended	$ 1,824	$ 1,396
Capital contributions being amortized (net of amortization)	217	234
	$ 2,041	**$ 1,630**

13. Government contributions

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

	000's 2009	000's 2008
Government of the Northwest Territories:		
Contribution received to finance general operations	$ 2,706	$ 2,949
Subsidies paid to subsidiaries and for business development projects during the year (Note 11)	713	544
Services received without charge (Note 20)	718	522
Amortization of deferred capital contributions (Note 12)	29	30
	4,166	4,045
Federal and Territorial programs	126	73
	$ 4,292	**$ 4,118**

14. Operating and administrative expenses

	000's 2009 Lending	2009 Retail/ Manufacturing	2008 Lending	2008 Retail/ Manufacturing
Salaries	$ 2,380	$ 688	$ 2,235	$ 722
Rent	200	22	189	24
Professional fees	69	142	92	119
Office and general	161	40	126	47
Grants in kind to Community Futures organizations	-	-	86	-
Utilities	-	220	-	187
Board members	82	1	76	8
Travel	77	37	47	39
Communication	15	23	18	27
Training and workshops	16	-	14	-
Advertising and promotion	50	35	62	21
Amortization	25	41	22	32
Gain on disposal of property	-	(10)	-	-
Accretion expense	3	3	3	3
Bad debts (recovery)	8	12	67	(23)
Bank charges and interest	2	25	2	20
	3,088	1,279	3,039	1,226
Business Service Centre	49	-	61	-
Business Development Fund	78	-	34	-
	$ 3,215	**$ 1,279**	**$ 3,134**	**$ 1,226**

15. Employee future benefits

(a) Pension benefits

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

	000's			
	2009		2008	
Corporation's contributions	$	246	$	202
Employees' contributions	$	97	$	88

(b) Severance and removal benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. The Corporation also provides removal assistance to eligible employees, as provided under labour contracts. This benefit plan is pre-funded from current contributions and recognized as an accrued benefit asset on the Corporation's balance sheet. The plan is administered by the Government. The Corporation does not have control over the investments made on its behalf.

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

	000's			
	2009		2008	
Accrued benefit obligation, beginning of year	$	336	$	314
Cost for the year		(12)		22
Accrued benefit obligation, end of year	**$**	**324**	**$**	**336**
Current portion	$	-	$	41
Long term portion		324		295
Total accrued benefit obligation	**$**	**324**	**$**	**336**
Accrued benefit asset	**$**	**324**	**$**	**336**

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

	000's			
		2009		**2008**
Accounts receivable	$	(188)	$	57
Inventory		(194)		31
Prepaid expenses and accrued benefit asset		27		(145)
Accounts payable and accrued liabilities and employee future benefits		197		(90)
Loan receivable interest income accruals		1		8
	$	**(157)**	**$**	**(139)**

17. Financial instruments

Credit risk

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

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

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

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

The principal collaterals held as security and other credit enhancements for loans include: (i) various security on assets; (ii) corporate and personal guarantees; and (iii) assignment of lease.

As at March 31, 2009, $2,583,000 (2008: $4,100,000) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrowers' commitments. There were no changes in risk exposure or risk management from the prior year.

17. Financial instruments (continued)

Credit risk

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2009.

	000's			
		2009		2008
Cash	$	11,182	$	10,153
Accounts receivable		484		296
Loans receivable		27,138		26,975
Venture investments		137		137

Interest rate risk

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

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

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

Based on the Corporation's advances from the Government as at March 31, 2009 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease net income by $168,000.

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 Corporation has no significant liabilities maturing in future years. The Corporation does not currently believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities.

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

Fair value of financial instruments

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

17. Financial instruments (continued)

Fair value of financial instruments (continued)

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

The advance from the government carries a variable market interest rate and therefore its carrying value approximates fair value.

The estimated fair value for the venture investments is assumed to equal carrying value, which is a reasonable estimate of fair value since there is no quoted market value available and the return on investment is unpredictable.

The estimated fair value for the loans receivable is estimated using a discounted cash flow calculation based on current rates for loans with similar risks.

	000's			
	2009		2008	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash	$ 11,182	$ 11,182	$ 10,153	$ 10,153
Accounts receivable	484	484	296	296
Loans receivable	27,138	30,274	26,975	26,038
Venture investments	137	137	137	137
Bank indebtness	-	-	22	22
Accounts payable and accrued liabilities	947	947	588	588
Advances from the Government	27,729	27,729	29,432	29,432

18. Capital management

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

For the year, the FMB approved total government contributions of $3.499 million (2008: $3.778 million) to the Corporation. The Corporation has complied with its capital requirements.

Equity

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

19. Guarantees, commitments and contingent liability

Guarantees

The Corporation has three outstanding loans to two Northern Community Futures organizations for their own lending purposes totalling $1,109,000. Loans provided by these two organizations may be assigned to the Corporation when impaired. Once assigned, the Corporation will then write-off the Community Futures organization loan balance and will attempt to recuperate its loss. In 2009, there were no accounts assigned to the Corporation (2008: two accounts totalling $97,000).

Loan and venture commitments

As at March 31, 2009, loans to businesses, approved but not yet disbursed, totalled $3.8 million at a weighted average interest rate of 6.0% (2008: $1.5 million at a weighted average rate of 5.5%). These loans do not form part of the loans receivable balance until disbursed. As at March 31, 2009, there were no venture commitments (2008: $110,000).

Letter of credit

The Corporation has one outstanding irrevocable standby letter of credit. The amount of this letter of credit totalled $30,000 and expires in 2010. Payment by the Corporation is due from this letter in the event that the applicant is in default of the underlying debt. To the extent that the Corporation has to pay out to third parties as a result of this agreement, this payment will be owed to the Corporation by the applicant. The letter of credit is secured by promissory note and general security agreement. There is currently no amount that the Corporation has paid out as a result of this letter of credit and no amount has been recorded as a liability.

Contingent liability

The Corporation is named as co-defendant in one legal proceeding. The proceeding is related to steps taken by the Corporation to call and enforce its rights involving the collateral security of the loan. The amount of the claim is $750,000. An estimate of the Corporation's potential liability, if any, resulting from this action cannot be reasonably determined at this time.

20. Related party transactions

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

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

	000's	
	2009	2008
Revenues		
Sales	$ 10	$ 10
Expenses		
Purchases	$ 297	$ 272
Interest expense	703	1,226
Balances at year end		
Accounts receivable	$ 27	$ 26
Accounts payable and accrued liabilities	33	7
Advances from the Government	27,729	29,432

Services received without charge

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

	000's	
	2009	2008
Staff support	$ 515	$ 333
Accommodation	203	189
	$ 718	**$ 522**

21. Subsequent events

Changes to the Corporation's programs

In June 2009, the Minister responsible for the Corporation announced several changes to the Corporation's existing programs to assist small businesses in the NWT weather the difficult economic times. These changes, effective July 1, 2009 include:

- An interest rate reduction initiative to enable loan clients who are not in arrears the opportunity to renew their loans at the Corporation's lowest interest rate for a maximum term of two years. The interest rate reduction will range from 0.25% to 5.50%, depending on the current rate of each loan. These rate reductions are not retroactive and have no impact on the March 31, 2009 financial statements.
- Variable rate interest financing which will allow clients to take advantage of a lower interest rate during times of falling interest rates and to lock in the lower rate at their convenience.
- Short term financing for winter/summer resupply and seasonal production.
- A working capital guarantee program.

The impact of these changes on the Corporation's lending activities and loan portfolio cannot reasonably be determined at this time.

Sale of Rae Lakes General Store

A proposal to purchase the Rae Lakes General Store Ltd. (RLGS) was received for the shares of RLGS for the value of the inventory on hand. On September 17, 2009, the FMB approved the sale of the RLGS with an effective date of April 1, 2009. On January 22, 2010 the sale was completed.

The carrying amounts of the major classes of assets and liabilities include:

	000's 2009
Cash	$ 51
Accounts receivable	25
Inventory	358
Property and equipment (net)	216
Accounts payable and accrued liabilities	313
Asset retirement obligation	36

The sale of Rae Lakes General Store has no impact on the March 31, 2009 financial statements.

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