BDIC NWT

2006/2007

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 2006/2007 annual report of the Northwest Territories Business Development and Investment Corporation (BDIC).

The Board met six times during the 2006/2007 fiscal year, either in person or by teleconference. During the year, the BDIC bid farewell to two Board members: Charles Furlong and Eddie Dillon. On behalf of the Board, I would like to wish them well in their future endeavors. The Board also welcomed two new members: Paul Komaromi from Inuvik and Irene Lafferty from Behchokò.

In 2006/2007, the BDIC continued its efforts to enhance programming and efficiency in responding to clients' needs. New product ideas were identified and a new organizational structure was designed. Both initiatives will come to fruition in the coming year.

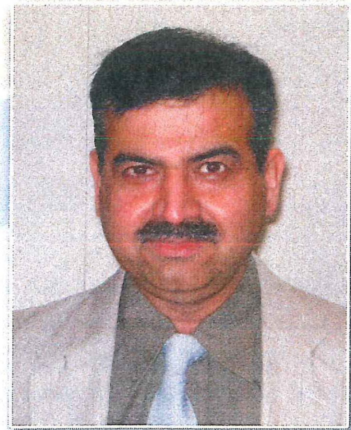
During the summer of 2006, the Board submitted a Draft Action Plan for implementing the BDIC/ITI Program Review Recommendations.

In the fall of 2006, in light of our first year's work and the results of the 2005/2006 program review, the Board reviewed the BDIC's vision, mission, goals and strategic priorities. The Board also reviewed the corporation's mandate and core programs to develop a strategic plan for the BDIC. This effort resulted in a new vision statement: *The BDIC is a recognized leader in the NWT's regional economic development and the growth of a dynamic small and mid-sized business sector.*

In 2007/2008, I look forward to working towards this vision and the implementation of the program review recommendations with my fellow Board members, our Chief Executive Officer Pawan Chugh, the BDIC staff, and our clients.

Mahsi

D. Beaulieu



A Message from the Chief Executive Officer

Welcome to the BDIC's annual report for 2006/2007, which includes the financial statements for two fiscal years: 2005/2006 and 2006/2007.

In 2006/2007, the BDIC continued to disburse credit facilities and contributions and to support six active subsidiary companies, providing much-needed employment opportunities in smaller communities across the NWT. The BDIC also maintained venture investments in eleven companies. 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 2006/2007 Corporate Plan, the BDIC Board identified four strategic objectives: to increase the use of BDIC programs in smaller communities, revitalize the subsidiary program, enhance clients' business skills capacity, and improve the effectiveness and efficiency of program delivery. Key achievements in 2006/2007 included:

- BDIC staff visits to communities in the Dehcho, Inuvik, Sahtu, South Slave and Tlicho regions;
- an increase in the dollar value of credit facility applications received from smaller communities and credit facility applications approved for those communities, in relation to the total for the NWT;
- a partnership with AlbertaLink to provide lunch hour and afternoon video-conferences on aftercare topics ranging from hiring and retention to marketing to taxation. Forty-three videoconferences were offered during the fiscal year, attracting over 100 participants;
- a successful Northern Economic Development Practitioners Conference, hosted in partnership with the Department of Industry, Tourism and Investment; Indian and Northern Affairs Canada; and Aboriginal Business Canada;
- a partnership with the Canada Youth Business Foundation and the NWT Community Futures Development Corporations to deliver a youth-focused loan and mentoring program;
- the launch of the BDIC website and the production of brochures on the BDIC's financial and business services; and
- completion of the BDIC's first compliance assessment, focusing on the credit facilities program.

I would like to thank all of our employees and regional delivery agents for listening effectively to our clients and being committed to their success.

Thank you.

P. 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 and the growth of a dynamic small and mid-sized business sector.

The Mission

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

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

The BDIC's vision and mission emphasize the importance of business development in 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.

Our 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 established two 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).

BDIC Board of Directors

Darrell Beaulieu, Chairperson	N'dilo
Denise Yuhas, Vice Chairperson	Fort Smith
Janet-Marie Fizer, Director	Hay River
Paul Komaromi, Director	Inuvik
Albert Lafferty, Director	Fort Providence
Irene Lafferty, Director	Behchokò
Curtis Shaw, Director	Yellowknife
Ann Marie Tout, Director	Norman Wells

Audit Committee

Albert Lafferty, Chairperson
Janet-Marie Fizer, Member
Denise Yuhas, Member

Appeals Committee

BDIC Board Chairperson or Vice Chairperson
Any other two Board members

Figure 1 - BDIC Board and Committee Membership as of March 31, 2007

Our Staff

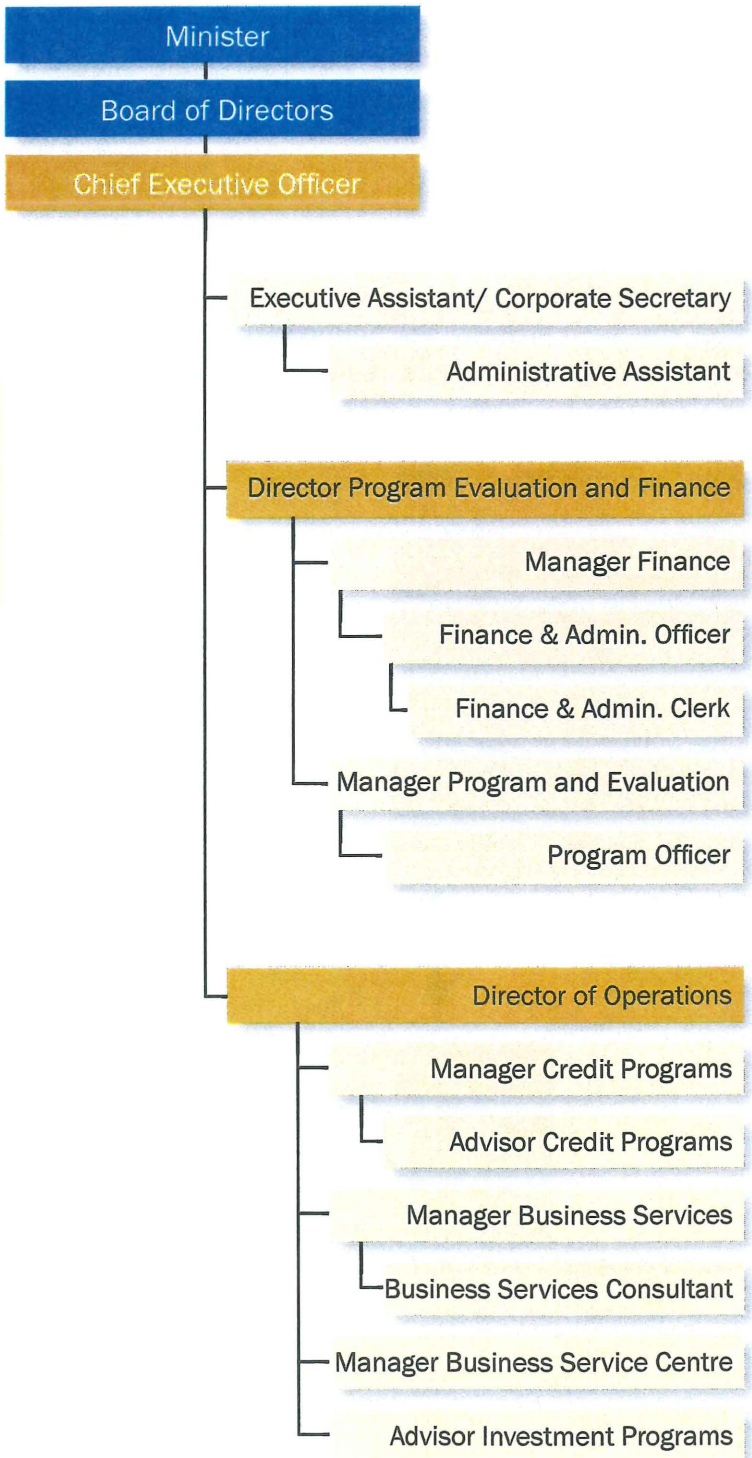


Figure 2 - BDIC Organizational Structure as of March 31, 2007

As of March 31, 2007, the BDIC's staff were organized into two divisions: Operations and Program Evaluation and Finance. In the last months of the 2006/2007 fiscal year, the BDIC initiated a restructuring process to improve its ability to respond effectively and efficiently to the needs of clients and other stakeholders. The new organizational structure came into effect in July 2007.

In 2006/2007, two BDIC employees received long service awards in recognition of their years of employment with the Government of the Northwest Territories:

- Tracey-Lynn Lower (10 years)
- Claudia Kelly (15 years)

2006/2007 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 where 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.

In 2006/2007, the BDIC received 39 applications for credit facilities with a total value of $13,894,000. Twenty-seven applications with a total value of $7,149,000 were approved, including 3 new Standby Letters of Credit. Twenty-seven credit facilities were paid in full during the year.

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.

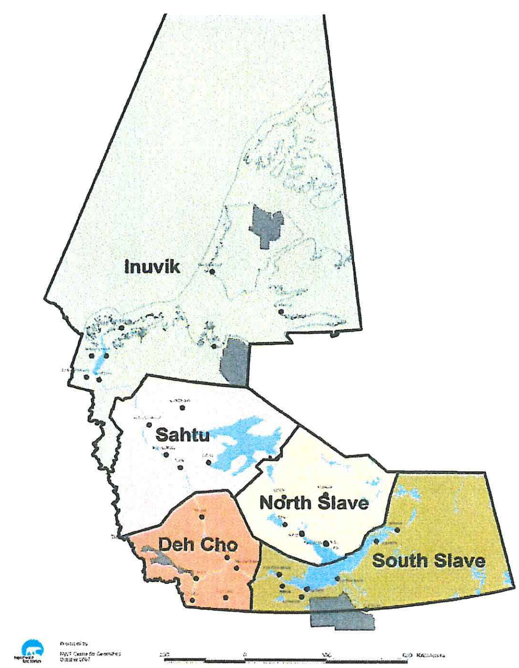


Figure 3 - NWT Regions

While the majority of credit facility applications approved in 2006/2007 were received from Level I communities, the majority of the credit facility funding approved went to Level 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.

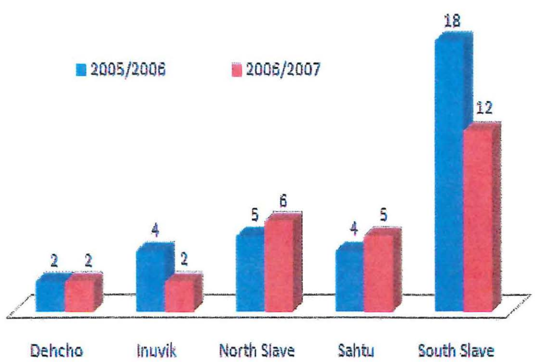


Figure 4 – Number of Approved Credit Facilities by Region (2005/2006 and 2006/2007)

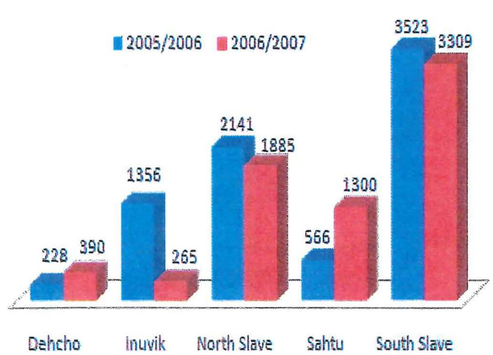


Figure 5 – Value of Approved Credit Facilities by Region (2005/2006 and 2006/2007) ($000)

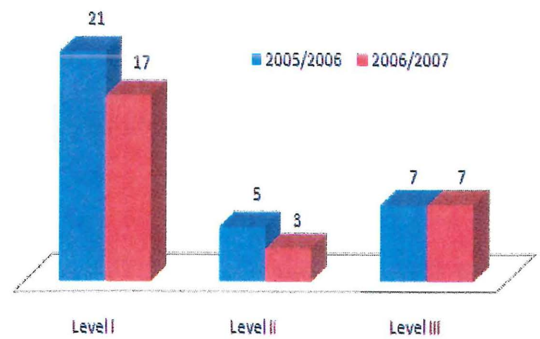


Figure 6 – Number of Approved Credit Facilities by Community Level (2005/2006 and 2006/2007)

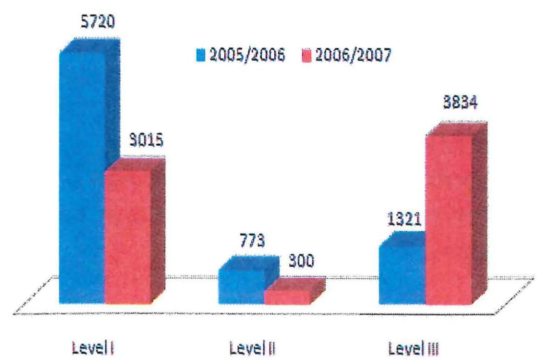


Figure 7 – Value of Approved Credit Facilities by Community Level (2005/2006 and 2006/2007) ($000)

Subsidiary Program

The BDIC owns seven 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 operating funds or funds for 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 new subsidiaries were established in 2006/2007 and no existing subsidiaries were divested or closed.

Acho Dene Native Crafts Ltd.

Acho Dene Native Crafts Ltd. produces traditional arts and crafts for wholesale and retail through a store in Fort Liard. The primary product is birch bark baskets with porcupine quillwork. The business also sells leather accessories, including traditional mittens, gauntlets, moccasins, mukluks, and small souvenir items.

Afzal Currimbhoy (up to February 6, 2007), Alma Jumbo, Irene McLeod, Curtis Shaw, and Denise Yuhas served on the Board of Directors for Acho Dene Native Crafts Ltd. in 2006/2007.

Aklavik and Tuktoyaktuk Furs Ltd.

In 2005/2006, the BDIC Board affirmed the 2002 decision of the Board of the former Northwest Territories Development Corporation to sell the assets (land and building) of this subsidiary. This process is underway.

Afzal Currimbhoy (up to February 6, 2007) and Pawan Chugh (after February 6, 2007) served on the Board of Directors for Aklavik and Tuktoyaktuk Furs Ltd. in 2006/2007.

Arctic Canada Trading Co. Ltd.

Arctic Canada Trading Company Ltd. markets the products of other BDIC subsidiaries. It was established in 1992.

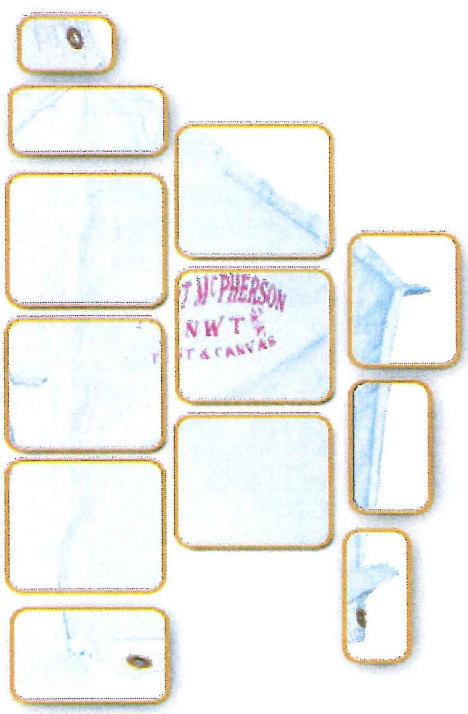
Afzal Currimbhoy (up to February 6, 2007), Pawan Chugh (after February 6, 2007), Charles Furlong and Denise Yuhas served on the Board of Directors for Arctic Canada Trading Co. Ltd. in 2006/2007.

Baskets from Acho Dene Native Crafts Ltd.

Dene Fur Clouds Ltd.

Dene Fur Clouds Ltd. is a knit fur manufacturing company located in Fort Providence. The company produces knit fur accessories such as headbands, mitts, scarves and home decor items. Dene Fur Clouds Ltd. promotes traditional knowledge and skills and builds on local cultural inspiration in developing new fashion and home accessories.

Gazira Chan, Afzal Currimbhoy (up to February 6, 2007), Albert Lafferty, Berna Landry and Michael Nadli (up to February 6, 2007) served on the Board of Directors for Dene Fur Clouds Ltd. in 2006/2007.



Fort McPherson Tent and Canvas Shop

913044 NWT Ltd. (o/a Fort McPherson Tent and Canvas Shop)

The Fort McPherson Tent and Canvas Shop was incorporated in 1991. It produces quality tent and bag products, including canvas wall tents and tipis, and a line of durable cordura nylon soft-side luggage and bags.

Robert Alexie Sr., Taig Connell, Afzal Currimbhoy (up to February 6, 2007), Patricia Dillon, Jaysen Knight, Leonard Kwong, Hazel Nerysoo, and Sharon Snowshoe served on the Board of Directors for 913044 NWT Ltd.

Nahanni Butte General Store Ltd.

The Nahanni Butte General Store Ltd. was established to meet the need for a local grocery store in Nahanni Butte, a community of approximately 75 people. The store also operates the community's only hotel.

James Betsaka, Priscilla Betsaka, Afzal Currimbhoy (up to February 6, 2007) and Curtis Shaw served on the Board of Directors for the Nahanni Butte General Store Ltd. in 2006/2007.

Rae Lakes General Store Ltd.

The Rae Lakes General Store Ltd. was established to meet the need for a local grocery store in Gamètì, a community of approximately 260 people.

Frank Arrowmaker, Darrell Beaulieu, Gary Bekale, Afzal Currimbhoy (up to February 6, 2007), Germaine Eyakfwo, and Henry Gon served on the Board of Directors for the Rae Lakes General Store Ltd. in 2006/2007.

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.

In 2006/2007, three venture investment clients fully redeemed their shares from the BDIC: ADK Petroleum Ltd. Partnership, Tli Cho Cooperative Ltd., and F.C. Services Ltd. No new venture investments were made in 2006/2007.

Venture Investment	Community
Dunnett Petroleum Ltd.	Fort McPherson
Enodah Wilderness Travel Ltd.	Yellowknife
Holman Eskimo Co-Operative Ltd.	Ulukhaktok
Kunnek Resource Development Corp.	Inuvik
175119 Canada Inc. o/a NWT Marine	Yellowknife
North Nahanni Naturalist Lodge Ltd.	Fort Simpson
Paulette & Clarke Renovations Ltd.	Fort Smith
Red Dog Mountain Contracting Ltd.	Tulita
Tri Vanguard Pictures Ltd.	Yellowknife
Two Rivers Development Corp.	Tulita
Wekweti Development Corp.	Wekweèti

Table 1 - 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 2006/2007, the BDIC received five applications for contributions with a total value of $27,000. Four applications, with a total value of $26,000, were approved.

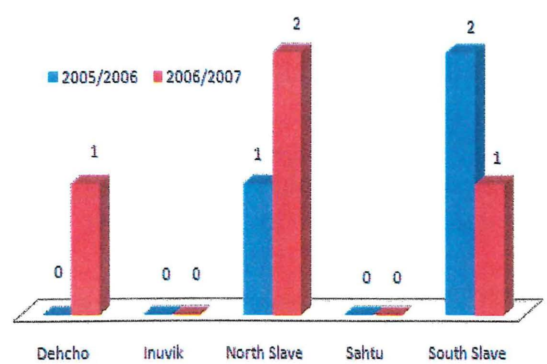


Figure 8 - Number of Approved Contribution Applications by Region (2005/2006 and 2006/2007)

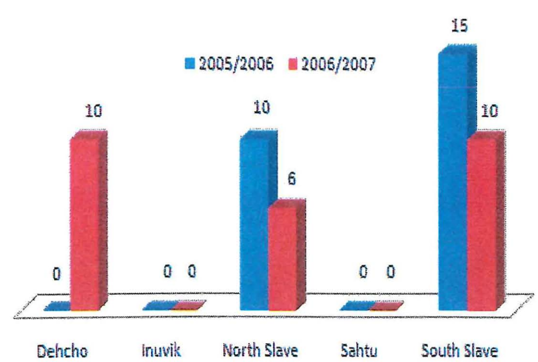


Figure 9 - Value of Approved Contribution Applications by Region (2005/2006 and 2006/2007) ($000)

Written-Off and/or Forgiven Accounts

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. Accounts that are written off can still be collected but are assigned zero value in the BDIC's financial statements.

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 2006/2007, five accounts totalling $55,541.79 were written off by the BDIC Board. In 2005/2006, no accounts were written off by the Board.

In 2006/2007, the FMB approved the forgiveness of one account (Irene Deneyoua) in the amount of $81.17. No BDIC accounts were written off or forgiven by the Legislative Assembly in 2005/2006 or in 2006/2007.

In 2006/2007, $8,000 was recovered on accounts previously written off. In 2005/2006, $26,000 was recovered.

Name of Business	Amount
Horn, Patricia	$8,126.60
Lafferty, Gabriel	$17,691.30
Frank, Cory	$8,071.18
Sabanadesan, Thayavathy	$13,355.09
Courtoreille, Roy and Courtoreille, Kathleen	$8,297.62

Table 2- Accounts Written-Off by the BDIC Board (2006/2007)

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 northern communities through its website (www.cbsc.org/nwt). CBNWT access points have also been established in the following NWT communities through local CFDCs:

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

In 2006/2007, CBNWT responded to a total of 487 inquiries received by telephone, email, and in-person visits.

2006/2007 also saw the introduction of videoconference events at CBNWT. In partnership with AlbertaLink, CBNWT offered 43 lunch hour and afternoon workshops to over 100 participants on topics such as hiring and retention, marketing, e-commerce, and taxation.

Community Futures Development Corporations

CFDCs are volunteer-run organizations that 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.

In 2006/2007, the BDIC provided loan capital to the Akaitcho Business Development Corporation in N'dilo and the Thebacha Business Development Services Inc. in Fort Smith. 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. The BDIC accepted its first uncollectible loan transfer from a CFDC in 2006/2007 in the amount of $60,354.

In 2006/2007, the BDIC facilitated the establishment of a partnership between the Canada Youth Business Foundation (CYBF), CFDCs and ITI Regional Offices to deliver the CYBF's Youth Entrepreneurship Program across the NWT. This program makes small loans to young businesspeople and, as a condition of the loan, matches each client up to a local mentor for the duration of the loan.

The BDIC also piloted regional delivery of CBNWT videoconferencing events through Thebacha Business Development Services Inc. in Fort Smith. By the end of 2006/2007, additional funding had been secured through the Strategic Investment in Northern Economic Development program to expand the videoconferencing network to Fort Simpson, Hay River, and Norman Wells.

Northern Economic Development Practitioners Conference 2006

The BDIC hosted the second bi-annual Northern Economic Development Practitioners (NEDP) Conference, in partnership with Industry, Tourism and Investment; Indian and Northern Affairs Canada; and Aboriginal Business Canada, from November 27 to December 1, 2006. Approximately 100 delegates took part in the conference, nearly 70 of which also participated in the two-day professional development session that took place immediately afterwards.

Conference presentations and panel discussions provided information on business development programs and services available in the NWT and explored upcoming business opportunities in the oil and gas, mining, tourism, arts and crafts, and traditional economy sectors.

Members of the NEDP 2006 Team

2006/2007 Job Creation or Maintenance

In 2006/2007, the BDIC's venture investments and subsidiaries created or maintained 98.50 direct jobs and 23.00 indirect jobs, for a total of 121.50 full-time equivalent jobs[1]. This represents a decrease of 26.25 jobs from the total for 2005/2006 (147.75 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.

Investment	2006/2007		2005/2006	
	Direct Jobs	Indirect Jobs	Direct Jobs	Indirect Jobs
913044 NWT Ltd (o/a Fort McPherson Tent & Canvas Shop)	5.25		8.00	
Acho Dene Native Crafts Ltd.	2.50		3.00	
Arctic Canada Trading Co. Ltd.	0.25		0.25	
Dene Fur Clouds Ltd.	4.50	5.00	8.00	5.00
Nahanni Butte General Store Ltd.	2.50		3.00	
Rae Lakes General Store Ltd.	8.00		6.00	
Venture Investments	75.50[2]	18.00	95.50	19.00
Total jobs created or maintained	**98.50**	**23.00**	**123.75**	**24.00**

Table 3 - Direct and Indirect Jobs Created or Maintained in 2006/2007 and 2005/2006

Dene Fur Clouds Ltd.

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

2006/2007 Financial Assistance & Investments

The BDIC provided financial assistance to or invested in the following NWT businesses during the 2006/2007 fiscal year.

Name of Business	Owner(s)	Community	Financial Program	Total Amount Disbursed
4911 NWT Ltd. (o/a The Museum Café)	Wally Sheper	Yellowknife	Credit	$25,000
5366 NWT Ltd. (o/a Lou's Small Engine)	Blaine Walterhouse	Fort Smith	Credit	$53,998
913044 NWT Ltd. (o/a Fort McPherson Tent and Canvas)	BDIC	Fort McPherson	Subsidiary	$70,000
953755 NWT Ltd. (o/a Pelican Rapids Golf Course)	Members	Fort Smith	Credit	$27,000
994481 NWT Ltd.	Members	Fort Smith	Credit	$60,000
994481 NWT Ltd.	Members	Fort Smith	Contribution	$10,000
Acho Dene Native Crafts Ltd.	BDIC	Fort Liard	Subsidiary	$100,000
Akaitcho Business Development Corporation	Represented by local Board of Directors	N'dilo	Credit	$168,000

Name of Business	Owner(s)	Community	Financial Program	Total Amount Disbursed
Andy's Auto Service Ltd.	Andrew Vermillion	Hay River	Credit	$300,000
Arctic Canada Trading Company Ltd.	BDIC	Yellowknife	Subsidiary	$7,500
Armagh Construction	David McLarnon	Fort Smith	Credit	$176,260
Big River Service Centre	Providence Versatile Ventures Ltd.	Fort Providence	Credit	$1,650,000
Dene Fur Clouds Ltd.	BDIC	Fort Providence	Subsidiary	$200,000
Fort Simpson Beverage	Duncan Canvin	Fort Simpson	Credit	$200,000
Forward Skateboard Shop	Claude Delorme; Natasha Kruger; Kris Rewega	Hay River	Credit	$15,000
Franki, Georgina	Georgina Franki	Yellowknife	Contribution	$5,000
Groat, Kirby and Wendy (o/a Deh Cho Executive Suites)	Kirby Groat; Wendy Groat	Fort Simpson	Credit	$45,249

Name of Business	Owner(s)	Community	Financial Program	Total Amount Disbursed
J&L Transport Ltd.	Peter Louie Gruben; Peter J. Louie	Tuktoyaktuk	Credit	$328,200
Just Furs Ltd.	Kristine Bourque	Yellowknife	Contribution	$807
Kruger, J. and Babiuk, B. (o/a Forward Skateboard Shop)	Brent Babiuk; Jacky Kruger	Hay River	Credit	$67,500
McCoy Enterprises	Kelly McCoy; Ruby McCoy	Norman Wells	Credit	$290,000
Metcrete Services Ltd.	Metcor Inc.; Multicrete Systems	Yellowknife	Credit	$200,000
Mop's Services Ltd.	Darrel Miller; Sharon Miller	Norman Wells	Credit	$30,000
Nahanni Butte General Store Ltd.	Nahanni Butte Development Corporation; BDIC	Nahanni Butte	Subsidiary	$125,000
Northwestern Air Lease	Brian Harrold; T. Harrold	Fort Smith	Credit	$247,078
Rae Lakes General Store Ltd.	BDIC	Gamètì	Subsidiary	$4,100

Name of Business	Owner(s)	Community	Financial Program	Total Amount Disbursed
R.D. Trucking Ltd.	Richard Duntra	Fort Liard	Credit	$190,000
Richardson, Alex	Alex Richardson	Hay River	Credit	$6,750
SHAC Developments	Terence Courtoreille; Mark Horton; Sandy Schumann	Hay River	Credit	$80,000
Snowstar Mechanical	Wayne Vandell	Fort Providence	Credit	$40,000
Techi?Q Ltd. & 953766 NWT Ltd.	Techi?Q Ltd.; 953766 NWT Ltd.	Deline; Fort Good Hope	Credit	$400,000
Thebacha Business Development Services Inc.	Represented by local Board of Directors	Fort Smith	Credit	$235,000
Triple M Taxi Services	Clarence Michaud; Daniel Michaud; Jean-Paul Michaud	Norman Wells	Credit	$15,000
Ts'iwa Inc.	Tree of Peace Friendship Centre	Yellowknife	Credit	$609,671
Twin Falls Inn Ltd.	Norman McCowan	Enterprise	Credit	$350,896
Total BDIC financial assistance and investment in 2006/2007				**$6,333,309**

Table 4 - Financial Assistance and Investments Provided by the BDIC in 2006/2007.

Notes

2005/2006 Financial Statements

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

March 31, 2006

Northwest Territories Business Development and Investment Corporation

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 of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) except for the fact that the Corporation did not apply: Accounting Guideline 15 - *Consolidation of Variable Interest Entities* to determine whether it was necessary to consolidate certain entities that have loans with the Corporation; and Section 3110 - *Asset Retirement Obligations* to record the obligations related to its leased premises. 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 estimates and judgment.

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 which are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper books of accounts are maintained, and the Corporation complies with applicable laws and conflict of interest rules. However, proper books of account were not maintained by one of the Corporation's subsidiaries and the Corporation does not have the information available to apply Accounting Guideline 15 - *Consolidation of Variable Interest Entities* and Section 3110 - *Asset Retirement Obligations* as described in the preceding paragraph.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit Committee, which is comprised of Directors who are not employees of the Corporation. The 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 K. Chugh
Chief Executive Officer

Leonard Kwong
Director, Program Evaluation and Finance

January 28, 2008
Yellowknife, Canada

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Industry, Tourism and Investment

I have audited the consolidated balance sheet of the Northwest Territories Business Development and Investment Corporation as at March 31, 2006 and the consolidated statements of operations, 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 paragraphs, 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.

Due to the incomplete accounting records for one of the subsidiaries, I was not able to perform the required audit procedures to obtain assurance related to the completeness and valuation of inventory balances and the existence of accounts payable. Therefore, I was unable to satisfy myself that all inventories, accounts payable or cost of goods sold and expenses were recorded, nor was I able to satisfy myself that those balances were properly valued. As a result, I was unable to determine whether adjustments were required in respect of inventory, accounts payable and the related components on the statements of operations, retained earnings and cash flows.

As described in Note 2 to the consolidated financial statements, the Corporation did not apply Section 3110 - *Asset Retirement Obligations* for the obligations related to its leased premises. Therefore, I was unable to determine whether adjustments were required in respect of assets, liabilities and the related components on the statements of operations and retained earnings.

Finally, as described in Note 3 to the consolidated financial statements, the Corporation did not apply Accounting Guideline 15 – *Consolidation of Variable Interest Entities* to determine whether it was necessary to consolidate certain entities that have loans with the Corporation. The effects, if any, of the non-consolidation of variable interest entities related to the loan portfolio on the reported assets, liabilities, revenues and expenses, cash flows, and the related note disclosures to the consolidated financial statements has not been determined.

In view of the possible material effects on the consolidated financial statements of the matters described in the preceding paragraphs, I am unable to express an opinion whether these consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

As required by the *Financial Administration Act* of the Northwest Territories, I must report whether these principles have been applied on a basis consistent with that of the preceding year. In view of the possible material effects on the consolidated financial statements of the matters described in the preceding paragraphs, I am unable to express an opinion whether these principles have been applied on a basis consistent with that of the preceding year.

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Further, in view of the possible material effects on the consolidated financial statements of the matters described in the preceding paragraphs, I am unable to express an opinion whether proper books of accounts have been kept by the Corporation and whether the consolidated financial statements are in agreement therewith.

In addition, in my opinion, except for the effects, if any, of the limitations in the scope of my audit of matters described in the preceding paragraphs, 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 90 days after the end of its financial year. This *Act* also permits an additional extension, not exceeding 60 days, which was requested by the Corporation and approved by the Minister of Finance. The Corporation submitted its annual report to its Minister approximately one year after its 150 day statutory deadline.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
January 28, 2008

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

March 31, 2006 **Page**

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Northwest Territories Business Development and Investment Corporation

Consolidated Balance Sheet

As at March 31		000's 2006		2005 Restated - Note 4
Assets				
Cash and cash equivalents (Note 5)	$	1,734	$	984
Funds and reserves (Note 6)		6,886		5,285
Accounts receivable		326		264
Inventory (Note 7)		850		1,295
Prepaid expenses		148		81
		9,944		7,909
Loans receivable (net of allowance for credit losses) (Notes 8 and 9)		30,897		32,128
Venture investments (Note 10)		392		404
Property and equipment (Note 12)		900		408
Property acquired in settlement of loans		310		310
Accrued benefit asset (Note 18 b)		145		101
	$	**42,588**	$	**41,260**
Liabilities				
Accounts payable and accrued liabilities	$	710	$	565
Advances from the Government (Note 13)		35,480		35,897
Deferred capital contributions (Note 15)		463		242
Employee future benefits (Note 18b)		258		101
		36,911		36,805
Non-controlling interests		189		-
Equity				
Contributed surplus		715		715
Retained earnings		4,773		3,740
		5,488		4,455
	$	**42,588**	$	**41,260**

Guarantees and commitments (Note 20).
The accompanying notes form an integral part of the consolidated financial statements.

Approved by:

Darrell Beaulieu
Chairperson of the Board of Directors

Curtis Shaw
Chairperson of the Audit Committee

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Operations

For the year ended March 31	000's 2006	000's 2005 Restated - Note 4
Lending and investments		
Income on loans receivable and venture investments		
Interest	$ 2,150	$ 2,300
Dividends	30	73
Interest on pooled cash (Note 5)	170	113
	2,350	2,486
Interest expense on advances from the Government	1,194	1,200
Provision for credit losses (Note 9)	884	586
Recoveries on venture investments previously written off	(39)	(123)
Operating and administrative expenses (Note 17)	3,400	2,986
Net loss on lending and investments	**(3,089)**	**(2,163)**
Retail and manufacturing		
Sales	3,357	2,311
Cost of goods sold	2,384	1,818
Gross margin	973	493
Other income	74	101
Operating and administrative expenses (Note 17)	1,885	1,589
Net loss on retail and manufacturing	**(838)**	**(995)**
Net loss from operations	**(3,927)**	**(3,158)**
Asset impairment charge	-	(377)
Net loss before government contributions	**(3,927)**	**(3,535)**
Government contributions (Note 14)	4,960	5,241
Net income	**$ 1,033**	**$ 1,706**

The accompanying notes form an integral part of the consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Retained Earnings

	000's			
For the year ended March 31		**2006**		**2005** Restated - Note 4
Retained earnings				
Balance, beginning of year	$	3,740	$	2,034
Net income		1,033		1,706
Balance, end of year	**$**	**4,773**	**$**	**3,740**

The accompanying notes form an integral part of the consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Cash Flows

		000's		
For the year ended March 31		**2006**		**2005** Restated - Note 4
Operating activities				
Net income	$	1,033	$	1,706
Items not affecting cash				
Amortization of property and equipment		134		131
Asset impairment charge		-		377
Amortization of deferred capital contributions (Note 15)		(70)		(472)
Provision for credit losses and write-down on venture investments		845		463
Change in non-cash operating working capital (Note 16)		610		69
Cash flows provided by operating activities		2,552		2,274
Investing activities				
Loans receivable disbursed		(6,044)		(7,009)
Loans receivable repaid		6,354		6,011
Venture investments purchased		(87)		(76)
Redemption of venture investments		139		924
Acquisition of property and equipment		(626)		(10)
Cash flows used in investing activities		(264)		(160)
Financing activities				
Advances from the Government		1,601		500
Repayment of advances from the Government		(2,018)		(181)
Contributions from the Government		291		-
Non-controlling interests		189		-
Repayment of bank indebtedness and other financing activity		5		-
Cash flows provided by financing activities		68		319
Increase in cash		2,356		2,433
Cash, beginning of year		6,264		3,831
Cash, end of year	$	**8,620**	$	**6,264**
Represented by:				
Cash and cash equivalents	$	1,734	$	984
Funds and reserves		6,886		5,285
Bank indebtedness		-		(5)
	$	**8,620**	$	**6,264**
Supplemental disclosure of cash flow information				
Amount of interest paid in the year	$	**1,194**	$	**1,200**

The accompanying notes form an integral part of the 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 the successor to the Northwest Territories Business Development Corporation (DC) and the Northwest Territories Business Credit Corporation (BCC). Both corporations were territorial corporations that were dissolved on the establishment date of the Corporation. All assets, rights, titles, interests, agreements, obligations, liabilities and programs were transferred to the Corporation.

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. No directives have been issued by the Minister to 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 Government's Financial Management Board (the FMB) prior to the commencement of the fiscal year. The contributions received from the Government are for the purposes of financing the Corporation's operations, making capital investments in and providing working capital advances and operating subsidies to subsidiaries based on need and providing subsidy contributions for approved business development projects.

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 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.

1. **The Corporation (continued)**

(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*. This tax exemption does not apply to certain variable interest entities (VIEs) included in the consolidated financial statements of the Corporation.

2. **Significant accounting policies**

The consolidated financial statements of the Corporation have been 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 determine whether it was necessary to consolidate certains entities that have loans with the Corporation. Furthermore, the Corporation did not apply the Section 3110 - *Asset Retirement Obligations* for the obligations related to its leased premises.

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 venture investments, allowance for credit losses and inventories.

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, its subsidiaries, and the Variable Interest Entities (VIEs) where the Corporation was able to identify itself as the primary beneficiary and had all the information to consolidate, after the elimination of all identifiable intercompany transactions and balances. See Note 3 for more details on consolidation of VIEs.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

Subsidiary	Location	Percentage Ownership	Incorporation Date
Light manufacturing			
913044 N.W.T. Ltd.	Fort McPherson, NT	100%	September 25, 1991
(o/a Fort McPherson Tent & Canvas)			
Aklavik & Tuktoyaktuk Furs Ltd.	Aklavik, 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
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.	Gameti, 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 and cash equivalents

Cash and cash equivalents are comprised of bank account balances and short-term highly liquid investments net of outstanding cheques. The short-term investments are readily convertible to cash with a maturity date of 90 days or less from the date of acquisition. Cash and cash equivalents are not subject to any restrictions and are used to cover operating expenses.

2. **Significant accounting policies (continued)**

(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 receivable are stated net of allowance for credit losses.

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 principal and interest is six months past due, unless the loan is fully secured; or the loan has been previously restructured and principal and interest is three months past due; or principal or interest is twelve months past due regardless of whether or not the loan is fully secured; or there has been a significant decline in the value of the security underlying the loan.

When a loan is classified as impaired, the recorded investment in 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 recorded investment in 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.

(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. The allowance is determined based on management's identification and evaluation of problem accounts and estimated probable credit losses that exist on the remaining 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 value 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 or, if cash flows cannot be reasonably determined, by using the estimated realizable values of the underlying security. The amount of the initial impairment and any underlying subsequent changes are recorded through the provision for credit losses as an adjustment to the specific allowance for impaired loans.

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 in particular industries or geographical regions and prevailing economic conditions.

2. **Significant accounting policies (continued)**

(e) Allowance for credit losses (continued)

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

The allowance is increased by provisions for credit losses and reduced by loan write-offs. Recoveries are accounted for when received and are included in interest income.

(f) Venture investments

Venture investments are recorded at cost, however where the Corporation does not hold a majority voting interest and where the Corporation is exposed to the majority of the expected losses or is entitled to a majority of the expected residual returns, or both, the venture capital investments are accounted for in accordance with Accounting Guideline 15 - *Consolidation of Variable Interest Entities* which requires the Corporation to consolidate.

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.

(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. An 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) Property acquired in settlement of loans

Property acquired from customers to satisfy loan commitments is classified as held for sale and recorded at fair value, less cost to sell. Fair value less cost to sell is the amount that could be realized in an arm's length disposition, considering the estimated time required to realize the security, the estimated costs of realization and any amounts legally required to be paid to the borrower.

Net operating costs incurred on real property held for sale are included as a component of interest income. Recoveries arising from the disposal of real property held for sale are recognized when title to the property passes to the purchaser. The carrying value of real property held for sale is also adjusted to reflect significant decreases in the estimated fair value subsequent to acquisition. These recoveries and adjustments are included as a component of other income.

2. **Significant accounting policies (continued)**

(i) **Contributions from the Government**

The Corporation receives contributions from the Government as set out below. These contributions are used for the purposes set out in the contribution agreements and are not repayable.

These contributions are allocated by the Board of Directors and approved by the Financial Management Board for the purposes of acquiring capital and venture investments, providing operating subsidies to subsidiaries, financing head office operations, providing project contributions, paying business development expenses and purchasing property and equipment for the Corporation.

The contributions approved for financing head office operations, investments, operating subsidies, working capital advances to subsidiaries, project contributions and business development expenses are recognized as revenue in the year for which they are approved.

The contributions approved for purchasing property and equipment are recognized as a deferred capital contribution and are amortized into income on the same basis as the amortization of the related property and equipment.

(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.

2. **Significant accounting policies (continued)**

(k) Contributions from the Government - services received without charge

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

(l) Future changes in accounting

i) In January 2005, the CICA issued a number of new Handbook Sections including Section 3855, *Financial Instruments - Recognition and Measurement*, Section 1530, *Comprehensive Income* and Section 3251, *Equity*. Section 3855, *Financial Instruments - Recognition and Measurement* provides standards on the recognition and measurement of financial assets, liabilities and non-financial derivatives. Section 1530, *Comprehensive Income* establishes standards on the reporting and display of changes in equity from transactions and other events and circumstances from non-owner sources (comprehensive income). Section 3251, *Equity* establishes standards for the presentation of equity and changes in the reporting period. All of these Sections are effective for fiscal years beginning on or after October 1, 2006. The Corporation has started evaluating the impact of these sections.

ii) In June 2007, the CICA issued Section 3031, *Inventories*, which will affect the measurement and disclosure of inventory. The measurement changes include the requirement to measure inventories at the lower of cost and net realizable value, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories will also be enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. This Section is effective for fiscal years beginning on or after January 1, 2008. The Corporation will evaluate the impact of this new recommendation.

3. **Change in accounting policy**

Consolidation of variable interest entities

On April 1, 2005, the Corporation prospectively adopted Accounting Guideline 15 - *Consolidation of Variable Interest Entities* (AcG-15), issued by the Canadian Institute of Chartered Accountants (CICA). AcG-15 provides guidance for applying consolidation principles found in the CICA Handbook Section 1590, *Subsidiaries*, to those entities defined as variable interest entities (VIEs). A variable interest entity is an entity in which the total equity investment at risk is not sufficient to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest.

The new guideline requires consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity who is exposed to the majority of the expected losses or is entitled to a majority of the expected residual returns, or both.

The Corporation was able to apply AcG-15 to its venture investment portfolio; however, the Corporation did not apply AcG-15 to determine whether it was necessary to consolidate certain entities that have loans with the Corporation.

The table below outlines the impact of consolidation of identified VIEs where the Corporation qualifies as the primary beneficiary. In instances where the necessary information was not available the VIEs were not consolidated.

	000's		
For the year ended March 31, 2006	Prior to Implementation of AcG-15	Impact of Implementation of AcG-15	**Consolidated per AcG-15**
Statement of Operations			
Net loss on lending and investments	$ (3,113)	$ 24	$ (3,089)
Net loss on retail and manufacturing	(942)	104	(838)
All other items	5,046	(86)	4,960
Net income	**$ 991**	**$ 42**	**$ 1,033**
Retained Earnings			
Balance, beginning of year	$ 3,740	$ -	$ 3,740
Balance, end of year	**$ 4,731**	**$ 42**	**$ 4,773**

3. **Change in accounting policy (continued)**

As at March 31, 2006		Prior to Implementation of AcG-15		Impact of Implementation of AcG-15		Consolidated per AcG-15
		000's				
Balance Sheet						
Assets						
Cash and cash equivalents and Funds and reserves	$	8,433	$	187	$	8,620
All other current assets		1,277		47		1,324
Loans receivable (net)		30,998		(101)		30,897
Venture investments		469		(77)		392
All other long term assets		805		550		1,355
	$	**41,982**	$	**606**	$	**42,588**
Liabilities						
Current liabilities		588		122		710
Advances from the Government		35,480		-		35,480
Deferred capital contributions		210		253		463
Employee future benefits		258		-		258
Non-controlling interests		-		189		189
		36,536		564		37,100
Equity						
Contributed surplus		715		-		715
Retained earnings		4,731		42		4,773
		5,446		42		5,488
	$	**41,982**	$	**606**	$	**42,588**

In addition, the Corporation has determined it is the primary beneficiary of two other venture investments; however it did not obtain the information necessary to consolidate these entities as the entities did not provide the financial information by year end. These two entities benefited from the Corporation's venture investment program encouraging the creation and development of businesses in the Northwest Territoires. One entity owns a reindeer herd and makes its proceeds from the harvesting of meat and antlers. The other entity owns a screenplay that may enter into production if a production company is found .The Corporation invested in these two entities in 1999 and 2002 respectively.There was no activity between BDIC and these two entities during the year (2005: nil). BDIC holds preferred shares in both entities, and a loan with one, with a net book value of nil (2005: nil). The Corporation's maximum exposure is $849,000 (2005: $849,000) which has been fully provided for or written down.

3. Change in accounting policy (continued)

Furthermore, the Corporation has significant variable interests in two other venture investments. They were not consolidated since the Corporation is not considered the primary beneficiary. These two entities, to which the Corporation provided loans and investment dollars, had asset values of approximately $3,634,000 as at March 31, 2006. The Corporation's maximum exposure to loss as a result of its involvement with these entities was approximately $1,216,000 as at March 31, 2006. For this purpose, maximum exposure to loss represents the carrying value of loans and investments in these entities.

4. Prior year restatement

(a) Combination of entities under common control

On April 1, 2005, the Northwest Territories Development Corporation and Northwest Territories Business Credit Corporation were dissolved. All assets, rights, titles, interests, agreements, obligations, liabilities and programs were transferred to the Corporation at the carrying values. There were no related party transactions between the two corporations. BCC's and DC's figures had to be restated due to correction of errors. See Note 4 (b), (c), (d) and (e) for details on how BCC's and DC's figures were adjusted compared to the published March 31, 2005 figures.

The respective and combined financial statements as at March 31, 2005 are presented below:

	000's		
For the year ended March 31, 2005	DC	BCC	BDIC
	Restated	Restated	
Statement of Operations			
Net loss on lending and investments	$ (1,284)	$ (879)	$ (2,163)
Net loss on retail and manufacturing	(995)	-	(995)
Government contribution and other	3,361	1,503	4,864
Net income	**$ 1,082**	**$ 624**	**$ 1,706**

4. **Prior year restatement (continued)**

(a) **Combination of entities under common control (continued)**

As at March 31, 2005		DC Restated		BCC Restated		BDIC
		000's				
Balance Sheet						
Assets						
Cash and cash equivalents and Funds and reserves	$	5,672	$	597	$	6,269
All other current assets		1,574		66		1,640
Loans and venture investments		404		32,128		32,532
Other long term assets		408		411		819
	$	**8,058**	$	**33,202**	$	**41,260**
Liabilities						
Current liabilities	$	525	$	40	$	565
Advances from the Government		-		35,897		35,897
Deferred capital contributions		242				242
Employee future benefits		-		101		101
		767		36,038		36,805
Equity						
Contributed surplus		715		-		715
Retained earnings (deficit)		6,518		(2,778)		3,740
		7,233		(2,778)		4,455
	$	**8,000**	$	**33,260**	$	**41,260**

(b) **Deferred capital contributions**

The comparative figures have been restated to correct an error affecting the "Deferred capital contribution" balance. In prior years, the government contributions received by DC from the Government and allocated for working capital, reserves and purchasing of shares were accounted for as deferred capital contribution. The contributions received from the Government should have been accounted for as Government contributions income. Consequently, DC should have recognized the Government contributions as revenue in the year they were received since they were related to funding of its operations. The following table shows the impact the correction of this error has on the different components of the financial statements.

Increase (Decrease)		000's 2005
Deferred capital contribution	$	(2,314)
Retained earnings, opening		1,954
Goverment contributions and Net income		360

4. **Prior year restatement (continued)**

(c) **Property acquired in settlement of loans**

The comparative figures of BCC's 2005 financial statements have been restated to correct an error affecting the "Loans receivable" balance. In prior years, the real estate acquired in settlement of two loans was shown as a loan receivable even though the Corporation possessed title of those assets. The real estate acquired in settlement of loans were incorrectly disclosed and accounted for. The real estate acquired in settlement of loans receivable should have been accounted for at their fair value reduced by the estimated cost of sale and the loans receivable should have been written-off. Consequently, BCC should have recorded a recovery on the provision for credit losses and new real estate when the loans were foreclosed. The following table shows the impact the correction of this error has on the different components of the financial statements.

Increase (Decrease)		000's 2005
Loans receivable (net)	$	(80)
Property and equipment		56
Real estate acquired in settlement of loans		310
Accounts payable and accrued liabilities		40
Deficit		(252)
Interest income on loan receivables		24
Amortization of property and equipment		3

(d) **Employee future benefits and accrued annual leave**

The comparative figures of BCC's 2005 financial statements have been restated to correct an error related to employee future benefits earned and accrued annual leave. In prior years, BCC's employee future benefits were disclosed by way of note to the financial statements and the liability related to annual leave earned was not accounted for. In prior years, the employee future benefits were not recognized as a liability of the Corporation because the expense for the year was paid out to the Government of the Northwest Territories to be invested until an employee was terminated.

The employee future benefits and annual leave should have been accrued as employees render the services necessary to earn them and the amount paid to the Government of Northwest Territories should have been accounted for as an accrued benefit asset for the long term portion of the employee future benefits and a prepaid expense for the short term portion of the employee future benefits. Consequently, BCC should have recorded a liability for employee futur benefits earned and an accrued benefit asset or a prepaid expense depending on the term for the payments made to the Government of the Northwest Territories.

4. Prior year restatement (continued)

(d) Employee future benefits and accrued annual leave (continued)

The following table shows the impact of the changes on the different components of the financial statements:

		000's
Increase		**2005**
Prepaid expenses	$	65
Accrued benefit asset		101
Employee future benefits liability		101
Accounts payable and accrued liabilities		65

(e) Services received without charge

The comparative figures of BCC's 2005 financial statements have been restated to correct an error affecting "Operating and Administrative expenses" and "Government contributions". In prior years, services received without charge from the Government of Northwest Territories were disclosed by way of a note to the financial statements. The services received without charge should have been accounted for at their estimated cost. Consequently, BCC should have recorded an administrative expense and a government contribution for the same amount.

The following table shows the impact of the change on the different components of the financial statements.

		000's
Increase		**2005**
Operating and administrative expense	$	632
Government contributions	$	632

5. Cash and cash equivalents

The cash of the parent company and its subsidiaries is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The 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 2.8% during the year (2005: 1.9%).

		000's		
		2006		**2005**
Cash available for operations	$	1,101	$	611
Cash held by subsidiaries and VIEs		633		373
	$	1,734	$	984

6. Funds and reserves

In accordance with Section 27 of the Act, the Corporation is required to establish a Loan and Investments Fund for its loan and investment operations. The Program, Projects and Services Continuation 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 Program, Projects and Services Continuation Regulations Part 2 Section 18 (2), the Corporation has the obligation to continue to maintain the Capital Fund and the Subsidy Fund established under the former Northwest Territories Development Corporation.

In addition to these funds, the Corporation is required under the Program, Projects and Services Continuation 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.

The funds and reserves are also pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The 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 2.8% during the year (2005: 1.9%).

Fund and reserve balances are summarized as follows:

	000's			
		2006		2005
Venture Investment Fund	$	2,919	$	2,909
Loan and Bond Fund		1,400		599
Subsidy Fund		1,246		765
Capital Fund		684		344
Capital Reserve Fund		151		191
Venture Reserve Fund		486		477
	$	6,886	$	5,285

7. Inventory

	000's			
		2006		2005
Finished goods	$	619	$	1,036
Raw materials		196		225
Work in progress		35		34
	$	850	$	1,295

During the year, inventories of $71,000 (2005: $4,000) were written off.

8. Loans receivable

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

As of March 31, 2006, loans receivable are expected to mature as follows:

		000's					
		2006			2005		
		Average Yield		Balances	Average Yield		Balances Restated - Note 4
Performing loans due within:	1 year	8.02	$	3,018	7.88	$	3,693
	1 - 2 years	6.73		6,081	7.99		2,204
	2 - 3 years	7.40		6,204	6.69		7,455
	3 - 4 years	6.58		6,129	7.52		8,531
	over 4 years	6.69		5,843	6.65		8,476
				27,275			30,359
Accrued loan interest receivable				186			222
Impaired loans				13,126			10,353
				40,587			40,934
Less: allowance for credit losses (Note 9)				9,690			8,806
			$	**30,897**		$	**32,128**

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 concentration are displayed in the following tables:

Geographic concentration

	000's							
	2006				2005 Restated - Note 4			
		Performing		Impaired		Performing		Impaired
South Slave Region	$	10,634	$	5,507	$	13,297	$	3,703
North Slave Region		7,919		3,772		7,712		3,995
Inuvik Region		3,940		2,033		5,138		998
Dehcho Region		2,756		857		2,424		695
Sahtu Region		2,026		957		1,788		962
	$	**27,275**	$	**13,126**	$	**30,359**	$	**10,353**

8. Loans receivable (continued)

Enterprise concentration

	000's			
	2006		2005 Restated - Note 4	
	Performing	Impaired	Performing	Impaired
Trade and Service	$ 17,076	$ 5,745	$ 19,974	$ 3,572
Travel and Tourism	1,977	3,112	2,395	3,421
Transportation, Communication and Utilities	3,546	713	3,084	783
Construction	2,477	1,280	2,268	1,233
Manufacturing	1,959	619	1,883	717
Agriculture	-	1,146	307	224
Fisheries	150	324	340	215
Wildlife	-	149	-	149
Forestry	87	36	96	37
Arts and Crafts	3	2	12	2
	$ 27,275	**$ 13,126**	**$ 30,359**	**$ 10,353**

The loans receivable balance contains loans, totalling $1.2 million, made to venture investees. The loans are in addition to the venture investments shown in Note 10. Of the $1.2 million (2005: $1.7 million), $533,000 are performing loans while $645,000 (2005: $728,000) are impaired.

9. Allowance for credit losses

	000's	
	2006	2005 Restated - Note 4
Balance, beginning of year	$ 8,806	$ 8,220
Provision for credit losses	884	586
Balance, end of year	**$ 9,690**	**$ 8,806**
Comprised of:		
Specific allowance	$ 9,057	$ 8,153
General allowance	633	653
	$ 9,690	**$ 8,806**

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements
March 31, 2006

10. 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, 2006, the Corporation does not have significant influence in the companies in which it has invested.

	000's			
	2006		2005	
Balance, beginning of year	$	404	$	1,129
Investments		87		186
Redemptions and repayments (net)		(99)		(723)
Write-downs		-		(188)
Balance, end of year	$	**392**	$	**404**

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. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received.

11. Investment risk

The Corporation's investment risk exposure relating to loans and ventures is directly impacted by the clients' ability to meet their obligations. This ability is impacted by the clients' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates investment risk by holding no significant concentration with any individual client. It is prevented by the Act from lending to and investing in any one business enterprise or to a group of related enterprises an amount in excess of $2 million.

Financial Statements

11. Investment risk (continued)

Write-offs

Under the provisions of the *Financial Administration Act*, an account (loan and venture investment) can only be approved for write-off by either the Legislative Assembly (over $20,000) or the Board of Directors ($20,000 or less). An account that has been written off is still subject to collection action.

In 2006, no accounts were written off by the Legislative Assembly (2005: $165,000) and no accounts were written off by the Board of Directors (2005: nil).

In 2006, recoveries on loans receivable previously written off totaled $26,000 (2005: $12,000).

Forgiveness

Under the provisions of the *Financial Administration Act*, an account can only be approved for forgiveness by either the Legislative Assembly (over $1,000) or the Financial Management Board ($1,000 or less). Once an account has been forgiven, no further collection action is possible.

In 2006, no accounts were forgiven by the Legislative Assembly (2005: $100,000), and no accounts were forgiven by the Financial Management Board (2005: nil).

12. Property and equipment

			000's Net Book Value	
	Cost	Accumulated Amortization	2006	2005 Restated - Note 4
Land	$ 20	$ -	$ 20	$ 20
Buildings	4,886	4,413	473	300
Equipment	1,294	1,146	148	80
Leasehold improvements	102	102	-	-
Computer equipment	185	179	6	3
Vehicles	1,007	754	253	5
	$ 7,494	$ 6,594	$ 900	$ 408

13. 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 Financial Management Board based on the needs of the Corporation. The balance was not to exceed $45 million as at March 31, 2006 (2005: $45 million).

Interest on the advances is based on the rate set during the last week of each month for the Government of Canada three-year bonds, compounded annually. The rate varied from 3.0% to 4.0% during the year (2005: 3.0% to 3.8%).

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

14. Government contributions

	000's	
	2006	2005 Restated - Note 4
Government of the Northwest Territories		
Contributions for operations and business development	$ 3,005	$ 3,013
Services provided without charge (Note 21)	982	632
Contributions for subsidies	778	1,029
Amortization of deferred capital contributions (Note 15)	70	472
	4,835	5,146
Federal and Territorial programs	125	95
	$ 4,960	$ 5,241

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements
March 31, 2006

15. Deferred capital contributions

	000's 2006		2005 Restated - Note 4	
Balance, beginning of year	$	242	$	714
Funding received in the year		291		-
Amortization of deferred capital contributions		(70)		(472)
Balance, end of year	$	**463**	$	**242**

16. Changes in non-cash operating working capital

	000's 2006		2005	
Accounts receivable	$	(62)	$	37
Inventory		445		222
Prepaid expenses and accrued benefit asset		(111)		(114)
Accounts payable and accrued liabilities		302		(41)
Loan receivable interest income accruals		36		(35)
	$	**610**	$	**69**

17. Operating and administrative expenses

	000's			
	2006		2005	
	Lending	Retail / Manufacturing	Lending	Retail / Manufacturing
Salaries	$ 2,408	$ 906	$ 2,233	$ 867
Rent	378	38	152	19
Professional fees	163	74	68	69
Office and general	128	237	111	101
Utilities	-	183	-	184
Board members	65	-	137	6
Travel	51	98	92	80
Communication	24	48	28	31
Training and workshops	16	-	8	-
Advertising and promotion	10	83	26	157
Amortization	8	126	69	62
Bad debts	4	65	-	(4)
Bank charges and interest	3	27	2	17
	3,258	1,885	2,926	1,589
Business Service Centre	100	-	-	-
Business Development Fund	42	-	60	-
	$ 3,400	$ 1,885	$ 2,986	$ 1,589

18. Employee future benefits

a) Pension benefits

The Corporation and all eligible employees contribute to the 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	
	2006	2005
Corporation's contributions	$ 147	$ 63
Employees' contributions	$ 68	$ 32

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements
March 31, 2006

18. Employee future benefits (continued)

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 appropriations and recognized as accrued benefit asset on the Corporation's balance sheet. The plan is administered by the Government of the Northwest Territories. 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			
		2006		**2005** Restated - Note 4
Accrued benefit obligation, beginning of year	$	101	$	96
Cost for the year		157		20
Benefits paid during the year		-		(15)
Accrued benefit obligation, end of year	$	**258**	$	**101**
Accrued benefit asset	$	**145**	$	**101**

19. Fair value of financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, funds and reserves, accounts receivable, loans receivable, venture investments and accounts payable and accrued liabilities. These financial instruments may be exposed to significant interest rate and credit risks. The financial statements and accompanying notes contain the relevant information necessary for a reasonable assessment of these risks. The fair values are determined using the valuation methods and assumptions described hereafter.

- Short term financial instruments such as cash and cash equivalents, funds and reserves, accounts receivable and accounts payable and accrued liabilities are valued at their balance sheet carrying values, which are reasonable estimates of fair value due to the relatively short period to maturity.

- 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.

As with any estimate, uncertainty is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

20. Guarantees and commitments

Guarantees

The Corporation has two outstanding loans to two Northern Community Futures organizations for their own lending purposes, in the amounts of $950,000 and $500,000. Loans provided by these two organizations may be assigned to the Corporation when impaired. Once assigned, the Corporation would write-off the Community Futures organization loan balance against its own loan with the Corporation. The Corporation would proceed with collection measures to recuperate its loss. There are currently no loans assigned to the Corporation.

Loan and venture commitments

As at March 31, 2006, loans to businesses, approved but as yet undisbursed, totaled $2.9 million at an average interest rate of 7.42% (2005: $2.3 million at an average rate of 6.66%). These loans do not form part of the loans receivable balance until disbursed. As at March 31, 2006, the commitments to venture investments total $110,000 (2005: $197,000). These dollars are held as a revolving loan.

Letters of credit

The Corporation has two outstanding irrevocable standby letters of credit. These letters of credit are for $110,000 and $30,000 and expire in September 2006 and April 2006 respectively. Payment by the Corporation is due from these letters in the event that the applicant is in default of the underlying debt. To the extent that the Corporation has to pay out third parties as a result of these agreements, these payments will be owed to the Corporation by the applicants. The letters of credit are secured by promissory notes and general security agreements. There are currently no amounts that the Corporation has paid out as a result of these letters of credit and no amount has been recorded as a liability.

Other commitments

The Corporation is committed to one operating lease for equipment at its annual future minimum payment of $31,000 that expires in 2009.

21. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. 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.

21. Related party transactions (continued)

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

	000's			
	2006		2005	
Revenues				
Sales	$	30	$	46
Expenses				
Purchases	$	225	$	585
Balances at year end				
Accounts receivable	$	31	$	3
Accounts payable		33		3

Services received without charge

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

	000's			
	2006		2005 Restated - Note 4	
Staff support	$	715	$	596
Accomodation and renovation		267		36
	$	**982**	$	**632**

Notes

2006/2007 Financial Statements

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

March 31, 2007

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 of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) except for the fact that the Corporation did not apply: Accounting Guideline 15 - *Consolidation of Variable Interest Entities* to determine whether it was necessary to consolidate certain entities that have loans with the Corporation; and Section 3110 - *Asset Retirement Obligations* to record the obligations related to its leased premises. 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 estimates and judgment.

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 which are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper books of accounts are maintained, and the Corporation complies with applicable laws and conflict of interest rules. However, proper books of accounts were not maintained by one of the Corporation's subsidiaries and a weakness in the inventory system was found at another subsdiary. In addition, the Corporation does not have the information available to apply Accounting Guideline 15 - *Consolidation of Variable Interest Entities* and Section 3110 - *Asset Retirement Obligations* as described in the preceding paragraph.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit Committee, which is comprised of Directors who are not employees of the Corporation. The 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 Kumar Chugh

Pawan K. Chugh
Chief Executive Officer

L Kwong

Leonard Kwong
Director of Finance

January 28, 2008
Yellowknife, Canada

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Industry, Tourism and Investment

I have audited the consolidated balance sheet of the Northwest Territories Business Development and Investment Corporation as at March 31, 2007 and the consolidated statements of operations, 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 paragraphs, 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.

Due to the incomplete accounting records of two subsidiaries of the Corporation, I was not able to perform the required audit procedures to obtain assurance related to the completeness and valuation of inventory balances and the existence of accounts payable. Furthermore, due to un-reconciled differences between one subsidiary's records and the customers' records, I was not able to obtain assurance over the existence of accounts receivable and related sales revenue. As a result, I was unable to determine whether adjustments were required in respect of inventory, accounts payable, account receivable and the related components on the statements of operations, retained earnings and cash flows.

As described in Note 2 to the consolidated financial statements, the Corporation did not apply Section 3110 - *Asset Retirement Obligations* for the obligations related to its leased premises. Therefore, I was unable to determine whether adjustments were required in respect of assets, liabilities and the related components on the statements of operations and retained earnings.

Finally, as described in Note 10 to the consolidated financial statements, the Corporation did not apply Accounting Guideline 15 – *Consolidation of Variable Interest Entities* to determine whether it was necessary to consolidate certain entities that have loans with the Corporation. The effects, if any, of the non-consolidation of variable interest entities related to the loan portfolio on the reported assets, liabilities, revenues and expenses, cash flows, and the related note disclosures to the consolidated financial statements has not been determined.

In view of the possible material effects on the consolidated financial statements of the matters described in the preceding paragraphs, I am unable to express an opinion whether these consolidated financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

My audit report dated January 28, 2008 on the March 31, 2006 consolidated financial statements contained a qualification related to same issues as described in the preceding paragraphs, except for the differences in the account receivable balances of one subsidiary which could not be reconciled and a weakness in the valuation inventory in another subsidiary.

As required by the *Financial Administration Act* of the Northwest Territories, I must report whether these principles have been applied on a basis consistent with that of the preceding year. In view of the possible material effects on the consolidated financial statements of the matters described in the preceding paragraphs, I am unable to express an opinion whether these principles have been applied on a basis consistent with that of the preceding year.

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Further, in view of the possible material effects on the consolidated financial statements of the matters described in the preceding paragraphs, I am unable to express an opinion whether proper books of accounts have been kept by the Corporation and whether the consolidated financial statements are in agreement therewith.

In addition, in my opinion, except for the effects, if any, of the limitations in the scope of my audit of matters described in the preceding paragraphs, 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 90 days after the end of its financial year. This Act also permits an additional extension, not exceeding 60 days, which was requested by the Corporation and approved by the Minister of Finance. However, the Corporation has not yet submitted its annual report to its Minister.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
January 28, 2008

Northwest Territories Business Development and Investment Corporation

Consolidated Financial Statements

March 31, 2007 **Page**

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Northwest Territories Business Development and Investment Corporation

Consolidated Balance Sheet

As at March 31		000's 2007		2006
Assets				
Cash and cash equivalents (Note 3)	$	2,158	$	1,734
Funds and reserves (Note 4)		7,623		6,886
Accounts receivable		357		326
Inventory (Note 5)		951		850
Prepaid expenses		193		148
		11,282		9,944
Loans receivable (net of allowance for credit losses) (Notes 6 and 7)		29,092		30,897
Venture investments (Note 8)		87		392
Property and equipment (Note 11)		767		900
Property acquired in settlement of loans		-		310
Accrued benefit asset (Note 17 b)		314		145
	$	**41,542**	$	**42,588**
Liabilities				
Accounts payable and accrued liabilities		819		710
Current portion of employee future benefits (Note 17b)		68		-
		887		710
Advances from the Government (Note 12)		33,129		35,480
Deferred capital contributions (Note 14)		404		463
Employee future benefits (Note 17b)		246		258
		33,779		36,201
Non-controlling interests		161		189
Equity				
Contributed surplus		715		715
Retained earnings		6,000		4,773
		6,715		5,488
	$	**41,542**	$	**42,588**

Guarantees and commitments (Note 19).
The accompanying notes form an integral part of the consolidated financial statements.

Approved by:

Darrell Beaulieu
Chairperson of the Board of Directors

Curtis Shaw
Chairperson of the Audit Committee

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Financial Statements

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Operations

For the year ended March 31		2007 (000's)		2006 (000's)
Lending and investments				
Income on loans receivable and venture investments				
Interest	$	2,086	$	2,150
Dividends		52		30
Interest on pooled cash (Note 3)		387		170
		2,525		2,350
Interest expense on advances from the Government		1,372		1,194
Provision for credit losses (Note 7)		868		884
Recoveries on venture investments previously written off		(249)		(39)
Operating and administrative expenses (Note 16)		3,409		3,400
Net loss on lending and investments		**(2,875)**		**(3,089)**
Retail and manufacturing				
Sales		2,924		3,357
Cost of goods sold		1,868		2,384
Gross margin		1,056		973
Other income		90		74
Operating and administrative expenses (Note 16)		1,919		1,885
Net loss on retail and manufacturing		**(773)**		**(838)**
Net loss from operations		**(3,648)**		**(3,927)**
Gain on disposal of property and equipment		15		-
Net loss before government contributions		**(3,633)**		**(3,927)**
Government contributions (Note 13)		4,860		4,960
Net income	**$**	**1,227**	**$**	**1,033**

The accompanying notes form an integral part of the consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Consolidated Statement of Retained Earnings

For the year ended March 31	000's 2007	000's 2006
Retained earnings		
Balance, beginning of year	$ 4,773	$ 3,740
Net income	1,227	1,033
Balance, end of year	**$ 6,000**	**$ 4,773**

The accompanying notes form an integral part of the consolidated financial statements.

Northwest Territories Business Development and Investment Corporation

Consolidated statement of cash flows

For the year ended March 31		000's 2007		2006
Operating activities				
Net income	$	1,227	$	1,033
Items not affecting cash				
Amortization of property and equipment		119		134
Amortization of deferred capital contributions (Note 14)		(59)		(70)
Gain on disposal of property and equipment		(15)		-
Provision for credit losses and write-down on venture investments		619		845
Change in non-cash operating working capital (Note 15)		(177)		610
Cash flows provided by operating activities		1,714		2,552
Investing activities				
Loans receivable disbursed		(5,934)		(6,044)
Loans receivable repaid		7,166		6,354
Venture investments purchased		-		(87)
Redemption of venture investments		554		139
Proceeds of disposal of property and equipment		86		-
Acquisition of property and equipment		(45)		(626)
Cash flows provided by (used in) investing activities		1,827		(264)
Financing activities				
Advances from the Government		-		1,601
Repayment of advances from the Government		(2,352)		(2,018)
Contributions from the Government		-		291
Advances from (payments to) non-controlling interests		(28)		189
Repayment of bank indebtedness and other financing activity		-		5
Cash flows (used in) provided by financing activities		(2,380)		68
Increase in cash		1,161		2,356
Cash, beginning of year		8,620		6,264
Cash, end of year	$	**9,781**	$	**8,620**
Represented by:				
Cash and cash equivalents	$	2,158	$	1,734
Funds and reserves		7,623		6,886
	$	**9,781**	$	**8,620**
Supplemental disclosure of cash flow information				
Amount of interest paid in the year	$	**1,372**	$	**1,194**

The accompanying notes form an integral part of the 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 the successor to the Northwest Territories Business Development Corporation (DC) and the Northwest Territories Business Credit Corporation (BCC). Both corporations were territorial corporations that were dissolved on the establishment date of the Corporation. All assets, rights, titles, interests, agreements, obligations, liabilities and programs were transferred to the Corporation.

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. No directives have been issued by the Minister to 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 Government's Financial Management Board (the FMB) prior to the commencement of the fiscal year. The contributions received from the Government are for the purposes of financing the Corporation's operations, making capital investments in and providing working capital advances and operating subsidies to subsidiaries based on need and providing subsidy contributions for approved business development projects.

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 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.

1. **The Corporation (continued)**

   (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*. This tax exemption does not apply to certain variable interest entities (VIEs) included in the consolidated financial statements of the Corporation.

2. **Significant accounting policies**

The consolidated financial statements of the Corporation have been 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 determine whether it was necessary to consolidate certains entities that have loans with the Corporation. Furthermore, the Corporation did not apply the Section 3110 - *Asset Retirement Obligations* for the obligations related to its leased premises.

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 venture investments, allowance for credit losses and inventories.

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, its subsidiaries, and the Variable Interest Entities (VIEs) where the Corporation was able to identify itself as the primary beneficiary and had all the information to consolidate, after the elimination of all identifiable intercompany transactions and balances. See Note 10 for more details on consolidation of VIEs.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

Subsidiary	Location	Percentage Ownership	Incorporation Date
Light manufacturing			
913044 N.W.T. Ltd.	Fort McPherson, NT	100%	September 25, 1991
(o/a Fort McPherson Tent & Canvas)			
Aklavik & Tuktoyaktuk Furs Ltd.	Aklavik, 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
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.	Gameti, 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 and cash equivalents

Cash and cash equivalents are comprised of bank account balances and short-term highly liquid investments net of outstanding cheques. The short-term investments are readily convertible to cash with a maturity date of 90 days or less from the date of acquisition. Cash and cash equivalents are not subject to any restrictions and are used to cover operating expenses.

2. **Significant accounting policies (continued)**

(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 receivable are stated net of allowance for credit losses.

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, principal and interest is three months past due, unless the loan is fully secured; or the loan has been previously restructured and principal and interest is three months past due; or principal or interest is six months past due regardless of whether or not the loan is fully secured; or there has been a significant decline in the value of the security underlying the loan.

When a loan is classified as impaired, the recorded investment in 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 recorded investment in 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.

(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. The allowance is determined based on management's identification and evaluation of problem accounts and estimated probable credit losses that exist on the remaining 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 value 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 or, if cash flows cannot be reasonably determined, by using the estimated realizable values of the underlying security. The amount of the initial impairment and any underlying subsequent changes are recorded through the provision for credit losses as an adjustment to the specific allowance for impaired loans.

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 in particular industries or geographical regions and prevailing economic conditions.

2. **Significant accounting policies (continued)**

(e) Allowance for credit losses (continued)

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

The allowance is increased by provisions for credit losses and reduced by loan write-offs. Recoveries are accounted for when received and are included in interest income.

(f) Venture investments

Venture investments are recorded at cost, however where the Corporation does not hold a majority voting interest and where the Corporation is exposed to the majority of the expected losses or is entitled to a majority of the expected residual returns, or both, the venture capital investments are accounted for in accordance with Accounting Guideline 15 - *Consolidation of Variable Interest Entities* which requires the Corporation to consolidate.

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.

(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. An 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) Property acquired in settlement of loans

Property acquired from customers to satisfy loan commitments is classified as held for sale and recorded at fair value, less cost to sell. Fair value less cost to sell is the amount that could be realized in an arm's length disposition, considering the estimated time required to realize the security, the estimated costs of realization and any amounts legally required to be paid to the borrower.

Net operating costs incurred on real property held for sale are included as a component of interest income. Recoveries arising from the disposal of real property held for sale are recognized when title to the property passes to the purchaser. The carrying value of real property held for sale is also adjusted to reflect significant decreases in the estimated fair value subsequent to acquisition. These recoveries and adjustments are included as a component of other income.

2. Significant accounting policies (continued)

(i) Contributions from the Government

The Corporation receives contributions from the Government as set out below. These contributions are used for the purposes set out in the contribution agreements and are not repayable.

These contributions are allocated by the Board of Directors and approved by the Financial Management Board for the purposes of acquiring capital and venture investments, providing operating subsidies to subsidiaries, financing head office operations, providing project contributions, paying business development expenses and purchasing property and equipment for the Corporation.

The contributions approved for financing head office operations, investments, operating subsidies, working capital advances to subsidiaries, project contributions and business development expenses are recognized as revenue in the year for which they are approved.

The contributions approved for purchasing property and equipment are recognized as a deferred capital contribution and are amortized into income on the same basis as the amortization of the related property and equipment.

(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.

2. Significant accounting policies (continued)

(k) Contributions from the Government - services received without charge

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

(l) Change in accounting estimate

During the year, the Corporation changed its criteria for classifying its loan as impaired to better reflect the credit risk inherent to its loan portfolio and to increase its comparability with other entities with similar portfolios. This change in estimate did not have a significant impact on the allowance for credit losses and the provision for credit losses.

(m) Future changes in accounting

i) In January 2005, the CICA issued three new accounting standards: Section 1530, *Comprehensive Income* ; Section 3855, *Financial Instruments – Recognition and Measurement*; and Section 3865, *Hedges*. These pronouncements establish standards for the recognition and measurement of financial instruments. These standards are effective for us beginning April 1, 2007, and will be applied on a prospective basis.

Section 1530 introduces a new component of the balance sheet entitled Accumulated Comprehensive Income, which is classified as part of equity. A Consolidated Statement of Comprehensive Income will be included with the financial statements which will include net income and the components of other comprehensive income. Other comprehensive income holds any unrealized gains and losses resulting from the change in market value on financial assets that are classified as available-for-sale. Upon realization of these gains and losses, the associated amounts are brought into the current period's income.

Upon initial adoption of the new Section 3855, the Corporation will be required to classify each of its financial assets as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables; and its financial liabilities as held-for-trading or other liabilities.The loan assets will be classified as loans and receivables and accounted for on an amortized cost basis. The Corporation currently uses this method of accounting for our loans, thus there will not be a significant accounting impact resulting from the adoption of these standards. The Corporation planned to classify the venture investments as available-for-sale. Financial assets classified as available-for-sale will be accounted for on a fair value basis when possible with unrealized gains and losses recorded in other comprehensive income.

As for the new Section 3865 - *Hedges*, the adoption of this Section will have no impact on the financial statements of the Corporation since it does not use derivative financial intruments to manage its risks.

In December 2006, the CICA issued two new accounting standards: Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*, which will become effective for the Corporation on April 1, 2008. The Corporation will evaluate the impact of these new recommendations.

2. **Significant accounting policies (continued)**

(m) Future changes in accounting

ii) In June 2007, the CICA issued Section 3031, *Inventories*, which will affect the measurement and disclosure of inventory. The measurement changes include the requirement to measure inventories at the lower of cost and net realizable value, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories will also be enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. This Section is effective for fiscal years beginning on or after January 1, 2008. The Corporation will evaluate the impact of this new recommendation.

Northwest Territories Business Development and Investment Corporation

Notes to the Consolidated Financial Statements
March 31, 2007

3. Cash and cash equivalents

The cash of the parent company and its direct subsidiaries is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The 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 4.0% during the year (2006: 2.8%).

	000's			
		2007		2006
Cash available for operations	$	1,730	$	1,101
Cash held by subsidiaries and VIEs		428		633
	$	2,158	$	1,734

4. Funds and reserves

In accordance with Section 27 of the Act, the Corporation is required to establish a Loan and Investments Fund for its loan and investment operations. The Program, Projects and Services Continuation 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 Program, Projects and Services Continuation Regulations Part 2 Section 18 (2), the Corporation has the obligation to continue to maintain the Capital Fund and the Subsidy Fund established under the former Northwest Territories Development Corporation.

In addition to these funds, the Corporation is required under the Program, Projects and Services Continuation 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.

The Funds and reserves are also pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The 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 4.0% during the year (2006: 2.8%).

4. Funds and reserves (continued)

Fund and reserve balances are summarized as follows:

	000's 2007	2006
Venture Investment Fund	$ 3,555	$ 2,919
Subsidy Fund	1,373	1,246
Capital Fund	934	684
Venture Reserve Fund	486	486
Capital Reserve Fund	191	151
Loan and Bond Fund	1,084	1,400
	$ 7,623	**$ 6,886**

5. Inventory

	000's 2007	2006
Finished goods	$ 691	$ 619
Raw materials	209	196
Work in progress	51	35
	$ 951	**$ 850**

During the year, inventories of $8,000 (2006: $71,000) were written off.

6. Loans receivable

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

As of March 31, 2007, loans receivable are expected to mature as follows:

	000's					
	2007			2006		
	Average Yield		Balances	Average Yield		Balances
Performing loans due within: 1 year	7.20	$	7,646	8.02	$	3,018
1 - 2 years	7.45		4,369	6.73		6,081
2 - 3 years	6.75		5,363	7.40		6,204
3 - 4 years	6.70		5,053	6.58		6,129
over 4 years	7.89		4,363	6.69		5,843
			26,794			27,275
Accrued loan interest receivable			182			186
Impaired loans			12,618			13,126
			39,594			40,587
Less: allowance for credit losses (Note 7)			10,502			9,690
		$	**29,092**		$	**30,897**

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 concentration are displayed in the following tables:

Geographic concentration

	000's							
	2007				2006			
		Performing		Impaired		Performing		Impaired
South Slave Region	$	11,317	$	5,523	$	10,634	$	5,507
North Slave Region		7,073		3,762		7,919		3,772
Inuvik Region		3,419		1,672		3,940		2,033
Dehcho Region		2,648		918		2,756		857
Sahtu Region		2,337		743		2,026		957
	$	**26,794**	$	**12,618**	$	**27,275**	$	**13,126**

6. Loans receivable (continued)

Enterprise concentration

	000's							
	2007				2006			
		Performing		Impaired		Performing		Impaired
Construction	$	5,441	$	1,787	$	6,421		1,227
Retail Trade		6,031		1,198		4,647		1,370
Accomodations, Food and Beverage		2,807		1,616		2,700		1,603
Transportation and Storage		3,405		680		3,553		607
Travel and Tourism		549		2,181		977		2,266
Fisheries and Wildlife Harvesting		56		943		150		1,395
Finance and Insurance		1,514		-		762		-
Oil and Gas		-		1,260		-		1,344
Manufacturing		152		464		841		568
Communication		32		562		45		606
Forestry and Logging		-		18		-		66
Arts and Crafts		-		4		3		4
Agriculture		-		3		-		3
Other Services		6,807		1,902		7,176		2,067
	$	**26,794**	$	**12,618**	$	**27,275**	$	**13,126**

The loans receivable contains loans, totalling $870,000, made to venture investees. The loans are in addition to the venture investments shown in note 8. Of the $870,000 (2006: $1.2 million), $126,000 are performing loans while $744,000 (2006: $645,000) are impaired.

7. Allowance for credit losses

	000's			
	2007		2006	
Balance, beginning of year	$	9,690	$	8,806
Provision for credit losses		868		884
Write-offs or forgiveness		(56)		-
Balance, end of year	$	**10,502**	$	**9,690**
Comprised of:				
Specific allowance	$	10,209	$	9,057
General allowance		293		633
	$	**10,502**	$	**9,690**

8. Venture investments

The Corporation's portfolio of venture investments is focused on providing financing in the form of preferred shares and debt to companies in the Northwest Territories.

As at March 31, 2007, the Corporation does not have significant influence in the companies in which it has invested.

	000's 2007		2006	
Balance, beginning of year	$	392	$	404
Investments		-		87
Redemptions and repayments (net)		(305)		(99)
Balance, end of year	$	87	$	392

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. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received.

9. Investment risk

The Corporation's investment risk exposure relating to loans and ventures is directly impacted by the clients' ability to meet their obligations. This ability is impacted by the clients' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates investment risk by holding no significant concentration with any individual client. It is prevented by the Act from lending to and investing in any one business enterprise or to a group of related enterprises an amount in excess of $2 million.

9. Investment risk (continued)

Write-offs

Under the provisions of the *Financial Administration Act*, an account (loan and venture investment) can only be approved for write-off by either the Legislative Assembly (over $20,000) or the Board of Directors ($20,000 or less). An account that has been written off is still subject to collection action.

In 2007, no accounts were written off by the Legislative Assembly (2006: nil) and five accounts representing five borrowers totalling $56,000 were written off by the Board of Directors (2006: nil).

In 2007, recoveries on loans receivable previously written off totaled $8,000 (2006: $26,000).

Forgiveness

Under the provisions of the *Financial Administration Act*, an account can only be approved for forgiveness by either the Legislative Assembly (over $1,000) or the Financial Management Board ($1,000 or less). Once an account has been forgiven, no further collection action is possible.

In 2007, no accounts were forgiven by the Legislative Assembly (2006: nil). One account representing one borrower in the amount of $81 was forgiven by the Financial Management Board (2006: nil).

10. Variable interest entities

On April 1, 2005, the Corporation prospectively adopted Accounting Guideline 15-*Consolidation of Variable Interest Entities* (AcG-15), issued by the Canadian Institute of Chartered Accountants (CICA). AcG-15 provides guidance for applying consolidation principles found in the CICA Handbook Section 1590, *Subsidiaries*, to those entities defined as variable interest entities (VIEs). A variable interest entity is an entity in which the total equity investment at risk is not sufficient to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest.

The guideline requires consolidation of a VIE by its primary beneficiary. The primary beneficiary is the entity who is exposed to the majority of the expected losses or is entitled to a majority of the expected residual returns, or both.

The Corporation was able to apply AcG-15 to its venture investment portfolio; however, the Corporation did not apply AcG-15 to determine whether it was necessary to consolidate certain entities that have loans with the Corporation. In addition, the Corporation has determined it is the primary beneficiary of two other venture investments; however it did not obtain the information necessary to consolidate these entities as the entities did not provide the financial information by year end. These two entities benefited from the Corporation's venture investment program encouraging the creation and development of businesses in the Northwest Territories. One entity owns a reindeer herd and makes its proceeds from the harvesting of meat and antlers. The other entity owns a screenplay that may enter into production if a production company is found. The Corporation invested in these two entities in 1999 and 2002 respectively. There is no activity between the Corporation and these two entities during the year (2006: nil). The Corporation holds preferred shares in both entities, and a loan with one, with a net book value of nil (2006: nil). The Corporation's maximum exposure is $849,000 (2006: $849,000) which has been fully provided for or written down.

11. Property and equipment

					000's			
				Accumulated	Net Book Value			
		Cost		Amortization		2007		2006
Land	$	20	$	-	$	20	$	20
Buildings		4,825		4,418		407		473
Equipment		1,233		1,110		123		148
Leasehold improvements		104		102		2		-
Computer equipment		175		170		5		6
Vehicles		979		769		210		253
	$	**7,336**	**$**	**6,569**	**$**	**767**	**$**	**900**

12. 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 Financial Management Board based on the needs of the Corporation. The balance was not to exceed $45 million as at March 31, 2007 (2006: $45 million).

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 3.9% to 4.5% during the year (2006: 3.0% to 4.0%).

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

13. Government contributions

	000's			
		2007		2006
Government of the Northwest Territories				
Contributions for operations and business development	$	2,981	$	3,005
Services provided without charge (Note 20)		917		982
Contributions for subsidies		757		778
Amortization of deferred capital contributions (Note 14)		59		70
		4,714		4,835
Federal and Territorial programs		146		125
	$	**4,860**	**$**	**4,960**

Northwest Territories Business Development and Investment Corporation

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14. Deferred capital contributions

	000's			
	2007		2006	
Balance, beginning of year	$	463	$	242
Funding received in the year		-		291
Amortization of deferred capital contributions		(59)		(70)
Balance, end of year	$	404	$	463

15. Changes in non-cash operating working capital

	000's			
	2007		2006	
Accounts receivable	$	(31)	$	(62)
Inventory		(101)		445
Prepaid expenses and other asset		(214)		(111)
Accounts payable and accrued liabilities		165		302
Loan receivable interest income accruals		4		36
	$	(177)	$	610

16. Operating and administrative expenses

	000's 2007 Lending	2007 Retail / Manufacturing	2006 Lending	2006 Retail / Manufacturing
Salaries	$ 2,519	$ 943	$ 2,408	$ 906
Rent	189	34	378	38
Professional fees	203	138	163	74
Office and general	159	202	128	237
Utilities	-	188	-	183
Board members	100	5	65	-
Travel	54	111	51	98
Communication	20	49	24	48
Training and workshops	22	-	16	-
Advertising and promotion	21	107	10	83
Amortization	5	114	8	126
Bad debts	-	4	4	65
Bank charges and interest	2	24	3	27
	3,294	1,919	3,258	1,885
Business Service Centre	99	-	100	-
Business Development Fund	16	-	42	-
	$ 3,409	**$ 1,919**	**$ 3,400**	**$ 1,885**

17. Employee future benefits

a) Pension benefits

The Corporation and all eligible employees contribute to the 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 2007	2006
Corporation's contributions	$ 192	$ 147
Employees' contributions	$ 83	$ 68

17. Employee future benefits (continued)

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 appropriations and recognized as accrued benefit asset on the Corporation's balance sheet. The plan is administered by the Government of the Northwest Territories. 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			
		2007		2006
Accrued benefit obligation, beginning of year	$	258	$	101
Cost for the year		56		157
Accrued benefit obligation, end of year	$	**314**	$	**258**
Short term portion	$	68		-
Long term portion		246		258
Total accured benefit obligations	$	**314**		**258**
Accrued benefit asset	$	**314**	$	**145**

18. Fair value of financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, funds and reserves, accounts receivable, loans receivable, venture investments and accounts payable and accrued liabilities. These financial instruments may be exposed to significant interest rate and credit risks. The financial statements and accompanying notes contain the relevant information necessary for a reasonable assessment of these risks. The fair values are determined using the valuation methods and assumptions described hereafter.

- Short term financial instruments such as cash and cash equivalents, funds and reserves, accounts receivable and accounts payable and accrued liabilities are valued at their balance sheet carrying values, which are reasonable estimates of fair value due to the relatively short period to maturity.
- 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.

As with any estimate, uncertainty is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

19. Guarantees and commitments

Guarantees

The Corporation has two outstanding loans to two Northern Community Futures organizations for their own lending purposes, in the amounts of $950,000 and $500,000. Loans provided by these two organizations may be assigned to the Corporation when impaired. Once assigned, the Corporation would write-off the Community Futures organization loan balance against its own loan with the Corporation. The Corporation would proceed with collection measures to recuperate its loss. In 2007, there was one account in the amount of $60,000 assigned to the Corporation (2006: nil).

Loan and venture commitments

As at March 31, 2007, loans to businesses, approved but as yet undisbursed, totalled $3.1 million at an average interest rate of 7.5% (2006: $2.9 million at an average rate of 7.42%). These loans do not form part of the loans receivable balance until disbursed. As at March 31, 2007, the commitments to venture investments total $110,000 (2006: $110,000). These dollars are held as a revolving loan.

Letters of credit

The Corporation has four outstanding irrevocable standby letters of credit. The amounts of these letters of credit totalled $405,000 and expire in 2007 and 2008. Payment by the Corporation is due from these letters in the event that the applicant is in default of the underlying debt. To the extent that the Corporation has to pay out third parties as a result of these agreements, these payments will be owed to the Corporation by the applicants. The letters of credit are secured by promissory notes and general security agreements. There are currently no amounts that the Corporation has paid out as a result of these letters of credit and no amount has been recorded as a liability.

Other commitments

The Corporation is committed to one operating lease for equipment at its annual future minimum payment of $18,000 that expires in 2009.

20. Related party transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. 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.

20. Related party transactions (continued)

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

	000's			
	2007		2006	
Revenues				
Sales	$	33	$	30
Expenses				
Purchases	$	256	$	225
Balances at year end				
Accounts receivable	$	11	$	31
Accounts payable		22		33

Services received without charge

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

	000's			
	2006		2005	
Staff support	$	728	$	715
Accomodation and renovation		189		267
	$	917	$	982

21. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

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