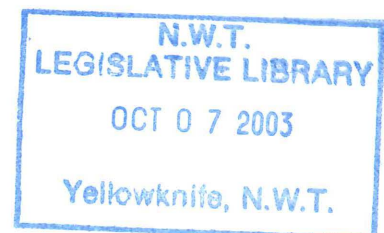


NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2002-2003 ANNUAL REPORT

Investing in the Future of Northerners





NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2002-2003 ANNUAL REPORT

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701, 5201-50th Ave.
Yellowknife, NT X1A 3S9

Phone: (867) 766-7700
Fax: (867) 766-7701
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URL: www.ntdevcorp.com

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

CORPORATE INFORMATION

The Northwest Territories Development Corporation (the Corporation) is a Crown Corporation established by the *Northwest Territories Development Corporation Act* (the *Act*) of 1990. It is owned by the Government of the Northwest Territories (GNWT), represented by the Minister of Resources, Wildlife and Economic Development (RWED). A Board of Directors appointed by the Executive Council directs the business of the Corporation

The Corporation was created to assist businesses in overcoming obstacles to development in small northern communities. The Corporation is uniquely positioned to respond to economic development opportunities that require management services as well as equity investment capital

Section 3 of the *Act* defines the objects of the Corporation. They are:

- (a) to incorporate, establish and carry on the business of companies or corporations and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to
 - (1) create employment and income for residents of the Territories, primarily in small communities,
 - (2) stimulate growth of businesses in the Territories, and
 - (3) promote economic diversification and stability;

- (b) to invest in business enterprises in order to

- (1) stimulate growth of businesses in the Territories, and

- (2) promote economic diversification and stability; and

- (c) to promote the economic objectives of the Government of the Northwest Territories

To accomplish its objectives the Corporation provides direct investment and operating subsidies to companies. This is done through various types of economic involvement – Subsidiary Companies, Joint Ventures and Projects and Business Development.

Subsidiary Companies

Subsidiary companies are those which the Corporation has majority ownership (51% common shares or more). Subsidies and capital investments may be provided to these subsidiaries in order to maintain meaningful employment. As of March 31, 2003, the Corporation held majority ownership in the following companies:

913044 N.W.T. Ltd.
(o/a Fort McPherson Tent & Canvas Shop)
Acho Dene Native Crafts Ltd.
Aklavik & Tuktoyaktuk Furs Ltd.
Arctic Canada Trading Company Ltd.
Dene Fur Clouds Ltd.
Muskox Leather Inc.
Nahanni Butte General Store Ltd.
Rae Lakes General Store Ltd.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Great Slave Lake Forest Products Ltd. was dissolved as of March 31, 2003

Joint Ventures

The Corporation injects capital funding into a business, usually in return for preferred shares. The Corporation's investment is subject to annual dividend payments at a rate determined and agreed to by both parties. As of March 31, 2003, the Corporation held investments in the following companies:

175119 Canada Inc. (NWT Marine)
ACODA Gifts Ltd.
ADK Corporate Group
Canzeal Enterprises Ltd.
Dunnett Petroleum Ltd.
Enodah Wilderness Travel Ltd.
FC Services Ltd.
Kunnek Resources Development Corporation
Nats'enu Ltd.
North Nahanni Naturalist Lodge Ltd.
Red Dog Mountain Contracting Ltd.
Tli Cho Co-operative Ltd.
Tri-Vanguard Pictures Ltd.
Two Rivers Development Group Ltd.
Wekweti Development Corporation

Projects and Business Development

The Corporation will occasionally assist businesses, often on a cost-shared basis, to finance projects for feasibility assessments, development of new products and management of pilot projects. During 2002-2003 the NWT Development Corporation provided business development funding to the following:

Bush Tea Resources
Creations by Berna
Creative Woodcuts and Custom Engraving
Fauna Boreali
Jean Marie River First Nation
Nicole Latour-Theede
Norman Wells Claimant Corporation
N WT Aircraft Maintenance
Conrad Plamondon
RWED Arts & Crafts Strategy
RWED Project Moosehide
Scentually You
Slangiro Records
Ta De Cho Enterprises
Taiga Tour Company
Whispering Willows
Yellowknife Glass Recyclers

Corporate Office

The Corporation's head office is located on the 7th Floor of the Northwest Tower in Yellowknife, NWT. The President and CEO of the Corporation during this period was Fred E. Koe. The Corporation is governed by a Board of Directors appointed by the Executive Council of the GNWT. The Corporation's Board of Directors, from across the Northwest Territories, for the period covered by this report were:

Chair

Elizabeth Wyman Yellowknife

Vice Chair

Denise Yuhas South Slave

Directors

Joy Stewart Hay River
Daniel McNeely Sahtu
Ernie Smith Dogrib
Albert Elias Inuvialuit
Charles Furlong Gwich'in
Darrell Beaulieu Akaitcho

Board of Directors



Elizabeth Wyman
Chair



Denise Yuhas
Vice Chair



Joy Stewart
Director



Darrell Beaulieu
Director



Daniel McNeely
Director



Ernie Smith
Director



Charles Furlong
Director



Albert Elias
Director

Senior Staff



Fred E. Koe, CMA
President & CEO



Kevin Hoyt, CGA
Vice President &
Comptroller



Leigh Wells
Executive Assistant/
Corporate Secretary

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2002 – 2003 COMMITTEES

Audit Committee

Darrell Beaulieu, *Chair*
 Ernie Smith
 Albert Elias
 Charles Furlong
 Daniel McNeely
 Elizabeth Wyman, *Ex-Officio*

Investment Committee

Joy Stewart, *Chair*
 Ernie Smith
 Daniel McNeely
 Charles Furlong
 Denise Yuhas
 Elizabeth Wyman, *Ex-Officio*

Personnel Committee

Denise Yuhas, *Chair*
 Joy Stewart
 Albert Elias
 Darrell Beaulieu
 Elizabeth Wyman, *Ex-Officio*

2002-2003 Job Statistics

	Direct Jobs		Indirect Jobs (Aggregate Totals)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
913044 NWT Ltd. (o/a Fort McPherson Tent & Canvas)	18.50	15.50		
Acho Dene Native Crafts Ltd.	4.00	4.00		
Aklavik & Tuktoyaktuk Furs Ltd.	-	-		
Arctic Canada Trading Co. Ltd.	.75	3.00		
Dene Fur Clouds Ltd.	9.00	8.50		
Great Slave Lake Forest Products Ltd.	-	-		
Muskox Leather Inc.	-	-		
Nahanni Butte General Store Ltd.	3.00	3.00		
Rae Lakes General Store Ltd.	<u>5.00</u>	<u>5.00</u>		
Sub-Total for Subsidiaries	40.25	39.00	14.00	11.00
Headquarters	<u>8.00</u>	<u>8.00</u>	<u>7.00</u>	<u>5.00</u>
Sub- Total	48.25	47.00	21.00	16.00
Venture Investments	<u>76.50</u>	<u>67.50</u>	<u>32.00</u>	<u>20.00</u>
Total	<u>124.75</u>	<u>114.50</u>	<u>53.00</u>	<u>36.00</u>

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Message from the Chair

On behalf of the Board of Directors for the NWT Development Corporation I am pleased to present our annual report.

Between April 1, 2002 and March 31, 2003 the Board conducted several face to face and teleconference meetings. During our winter meeting we traveled to Fort Smith where we hosted a reception to meet local business people. Several contacts were made and applications for venture funding from that area have subsequently been received.

The Investment Committee reviewed the business plans from all of our subsidiary companies. In keeping with our mandate to have the subsidiary companies self reliant, subsidies were approved with a 10% decrease from the previous year. Once again the Business Plans were presented by the company general managers at the conclusion of their yearly training seminars. Venture investments were monitored as well as new applications reviewed. The Personal Committee developed and approved employee recognition program early in the year. The Committee was also task with setting a process for the recruitment of subsidiary board members. The Audit Committee reviewed the financial operations of the Corporation on a quarterly bases as well as conducting a final review on the yearly statements.

The NWT Development Corporation experienced changeover in our senior management. Mr. Kevin Hoyt left the corporation to join his family in Saskatchewan and Mr. Fred Koe took a leave of absence to work on a project for RWED. We wish these two gentlemen well and welcome Mr. Bob Murphy to the position of Acting President and Mr. Leonard Kwong to the position of Acting Vice President and Comptroller.

Finally, I would like to thank the Board of Directors for their dedication to the NWT Development Corporation, your knowledge and insight are very much respected and valued. Without you we would not be able to do continue the work in our communities.



NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Report from the President and CEO

The Northwest Territories Development Corporation had a very active year and was successful in achieving most of the goals and strategies that were established in its corporate plan. The major focus was on increasing and promoting sales and continuing to promote the image of the Corporation. Directors of the Board, subsidiary company managers and staff and corporate staff all contributed to the promotion and sales efforts of the Corporation and northern products.

The development and growth of the subsidiary companies continues to be a major function of the Corporation's staff. Arctic Canada Trading Co. Ltd. was restructured, Dene Fur Clouds appropriately capitalized, and management changes made at Nahanni Butte General Store and at Arctic Canada Trading Co. Ltd.

The Northwest Territories Development Corporation Act provides the Corporation with the mandate to create or maintain jobs within the NWT. To this end the government provides a contribution to the Corporation. The Corporation continues its success in meeting this objective by increasing the numbers of jobs created or maintained by 27.25 over the previous year. Indirect jobs have been calculated using the NWT's Bureau of Statistics input-output model.

For this fiscal year, 177.75 jobs comprising of 124.75 direct jobs and 53.00 indirect jobs were created or maintained by the Corporation, its subsidiaries and the ventures it has invested in. The value of each of these jobs remains set at \$25,000 per job.

The Corporation's consolidated revenues from sales decreased by \$120,779 to \$2,395,529, however, the gross margin increased by \$128,343 to \$841,194 – approximately 35% of gross sales. Major contributors to this came from sales and high gross margins from the Fort McPherson Tent and Canvas Shop and Rae Lakes General Store.

The Corporation continues to work with the



NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

*Report from the
President and CEO
(continued)*

Minister and GNWT officials to create the new Business Development and Investment Corporation. During the year I was assigned to spend some time on working on the creation of the new corporate entity. We are waiting for the Legislative Assembly of the NWT's approval of the new legislation to begin the implementation process.

The Corporation will continue to strive to achieve its major objectives and have also added a new goal to encourage and support youth entrepreneurs. I wish to thank the Minister, the Directors and the staff for their continuing efforts and support.





NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2003

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

July 25, 2003

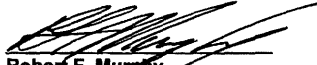
**To the Minister of the
Northwest Territories Development Corporation**

Management is responsible for the preparation and presentation of the consolidated financial statements. The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, and related practices that are appropriate in the circumstances. Where appropriate, the preparation of financial information includes estimates and judgements based on careful consideration of information available to management.

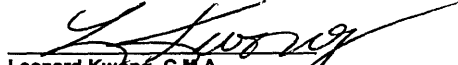
The Northwest Territories Development Corporation (the Corporation) maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles and for maintaining standards of conduct that are appropriate to a Territorial Crown corporation.

The Board of Directors (the Board), through the Audit Committee which is comprised of Directors who are not employees of the Corporation, is responsible for reviewing and approving the audited annual financial statements and oversees management's responsibilities for financial reporting and internal controls. The Audit Committee meets with management and the external auditor to discuss the financial reporting process as well as accounting and auditing issues. The Auditor General of Canada has full and free access to the Audit Committee.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. She also considers whether transactions which come to her notice in the course of her audit are, in all significant respects, in accordance with the specified legislation.



Robert F. Murphy
Acting President & Chief Executive Officer



Leonard Kwong, C.M.A.
Acting Vice President & Comptroller

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2003

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NORTHWEST TERRITORIES DEVELOPMENT CORPORATION



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Development Corporation

I have audited the consolidated balance sheet of Northwest Territories Development Corporation as at March 31, 2003 and the consolidated statements of operations, deficit and contributed equity - venture investments and cash flow 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.

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.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for dividends as explained in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

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

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 25, 2003

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation		
Consolidated Statement of Operations		
For the year ended March 31,	2003	2002 Restated (Note 3)
Revenue		
Sales	\$ 2,395,529	\$ 2,516,308
Cost of goods sold	1,554,335	1,803,457
Gross margin	841,194	712,851
Dividends	105,791	86,776
Interest	81,026	127,580
Other revenue	128,952	164,122
	1,156,963	1,091,329
Expenses		
Selling and administrative (Note 17)	2,873,629	2,861,738
Amortization of capital assets	118,746	167,771
Provision for loss on investments	457,050	643,500
Business development expenditures	46,607	179,329
Site restoration expenses	-	69,449
	3,496,032	3,921,787
Net loss from operations	(2,339,069)	(2,830,458)
Other items		
Gain on disposal of capital assets	11,770	856
	11,770	856
Net loss before government contributions	(2,327,299)	(2,829,602)
Government of the Northwest Territories contributions (the Government) (Note 5)	2,904,443	2,477,481
Net income (loss)	\$ 577,144	\$ (352,121)

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

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,	2003	2002 Restated (Note 3)
Deficit		
Balance, beginning of year	\$ (3,524,191)	\$ (3,085,294)
Net Income (loss)	577,144	(352,121)
Transfer of dividends to Contributed Equity - Venture Investments	(105,791)	(86,776)
Balance, end of year	\$ (3,052,838)	\$ (3,524,191)

Contributed Equity - Venture Investments

Balance, beginning of year	\$ 4,835,316	\$ 3,978,540
Contribution from the Government	602,800	770,000
Dividends earned	105,791	86,776
Balance, end of year	\$ 5,543,907	\$ 4,835,316

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

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

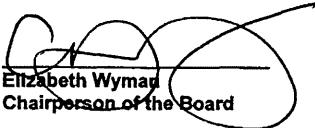
Northwest Territories Development Corporation

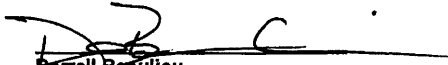
Consolidated Balance Sheet

As at March 31,	2003	2002
Assets		
Current		
Cash (Note 7)	\$ 1,452,698	\$ 1,114,164
Accounts receivable	270,420	336,542
Inventory	1,570,224	1,392,618
Prepaid expenses and deposits	12,256	18,406
	3,305,598	2,861,730
Reserve funds (Note 7)	779,492	502,692
Venture investments (Note 8)	1,634,000	1,893,050
Capital assets (Note 9)	835,442	711,051
Sinking fund investment (Note 11)	1,350,000	1,026,000
	\$ 7,904,532	\$ 6,994,523
Liabilities		
Current		
Bank indebtedness (Note 10)	\$ 25,194	\$ -
Accounts payable and accrued liabilities	391,486	684,451
Current portion of long term debt (Note 11)	1,620,000	-
	2,036,680	684,451
Long-term debt (Note 11)	-	1,620,000
Deferred capital contributions (Note 6)	2,661,530	2,663,694
	4,698,210	4,968,145
Equity		
Contributed surplus - Government	715,253	715,253
Contributed equity - Venture Investments	5,543,907	4,835,316
Deficit	(3,052,838)	(3,524,191)
	3,206,322	2,026,378
	\$ 7,904,532	\$ 6,994,523

Commitments (Note 13).
The accompanying notes form an integral part of the financial statements.

Approved by the Board:


Elizabeth Wyma
Chairperson of the Board


Darrell Beaulieu
Chairperson of the Audit Committee

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Statement of Cash Flow

For the year ended March 31,	2003	2002 Restated (Note 3)
Operating activities		
Net income (loss)	\$ 577,144	\$ (352,121)
Items not affecting cash		
Amortization of capital assets	118,746	167,771
Amortization of deferred capital contributions	(95,194)	(149,762)
Gain on disposal of capital assets	(11,770)	(856)
Provision for loss on investments	457,050	643,500
Change in non-cash operating working capital (Note 12a)	(398,299)	(974,489)
Cash flows from (used in) operating activities	647,677	(665,957)
Financing activities		
Contribution from the Government (Note 12b)	695,830	905,500
Contribution to sinking fund	(324,000)	(324,000)
Cash flows from financing activities	371,830	581,500
Investing activities		
Investment in venture investments	(548,000)	(1,040,000)
Redemptions and repayments by venture investments	350,000	-
Acquisition of capital assets	(243,137)	(126,848)
Proceeds from disposal of capital assets	11,770	856
Cash flows used in investing activities	(429,367)	(1,165,992)
Increase (decrease) in cash	590,140	(1,250,449)
Cash, beginning of year	1,616,856	2,867,305
Cash, end of year	\$ 2,206,996	\$ 1,616,856
Represented by:		
Cash	\$ 1,452,698	\$ 1,114,164
Reserve funds	779,492	502,692
Bank indebtedness	(25,194)	-
	\$ 2,206,996	\$ 1,616,856

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

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

1. Authority and operations

(a) Authority

The Corporation is a Territorial Crown corporation of the Government and operates under the authority of the *Northwest Territories Development Corporation Act* (the *Act*) which came into effect August 24, 1990. The Corporation and its wholly owned subsidiaries are agents of the Government.

(b) Operations

The Corporation invests in business enterprises in accordance with the economic objectives of the Government through equity investments, subsidies, loans and project contributions. These economic objectives are to create employment and income opportunities for residents of the Northwest Territories, primarily in small communities, to stimulate growth of businesses in the Northwest Territories and to promote economic diversification and stability.

(c) Economic Dependency

The Corporation is economically dependent upon the Government for continued funding.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 27 of the *Act*. Furthermore, the Corporation and its subsidiaries are exempt from federal income taxes, pursuant to Paragraph 149(1)(d) of the *Income Tax Act* (Canada).

2. Accounting Principles

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 2003, these subsidiaries were:

Subsidiary	Location	Percentage Ownership	Incorporation Date
Light Manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NWT	100%	September 25, 1991
Aklavik and Tuktoyaktuk Furs Ltd.	Aklavik, NWT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NWT	100%	December 18, 1997
Muskox Leather Inc.	Yellowknife, NWT	51%	August 25, 1998
Fine Arts and Souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NWT	100%	October 15, 1992
Wholesale/Retail Stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NWT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NWT	51%	October 15, 1992
Rae Lakes General Store Ltd.	Rae Lakes, NWT	100%	October 14, 1992

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(a) Principles of Consolidation (continued)

In 2003, under the provisions of the *Financial Administration Act*, Great Slave Lake Forest Products Ltd. (which ceased operations during the 1999-2000 fiscal year) and Muskox Leather Inc. had loans totalling \$1,406,796 forgiven by the Legislative Assembly. Subsequent to that, Great Slave Lake Forest Products Ltd. was dissolved at March 31, 2003. The company had no revenues from operations during the reporting period.

Aklavik & Tuktoyaktuk Furs Ltd. and Muskox Leather Inc. had wind-up plans approved by the Board in November 2002. Aklavik & Tuktoyaktuk Furs Ltd. is currently operating, while Muskox Leather Inc. ceased operations during the 2001-2002 fiscal year.

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

These consolidated statements include the assets and liabilities of the above named subsidiaries as at March 31, 2003 and the results of their operations for the year then ended.

(b) Financial Instruments

The Corporation's financial instruments, as referenced in the financial statements, consist of cash, reserve funds, investments, accounts receivable, accounts payable and accrued liabilities, long term debt and bank indebtedness. These financial instruments may be exposed to significant interest rate and credit risks. The financial statements and accompanying notes contain, according to management's best efforts, the relevant information necessary for a reasonable assessment of these risks. The fair value of these financial instruments, where determinable, approximate their carrying amounts unless otherwise noted.

(c) Cash and Reserve Funds

The Corporation's cash and reserve funds are pooled with the Government's surplus cash and 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-1 Low or better by the Dominion Bond Rating Service Limited. The Corporation's average annual investment yield to March 31, 2003 was 2.28% (2002: 3.26%).

(d) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(e) Venture Investments

Loans receivable which relate to capital items are carried at the amount of the funds advanced less accumulated provision for loss. When conditions of the loan agreement are not met, the entire principal balance and accrued interest shall become due and payable to the Corporation, at its option.

Loans are classified as impaired when there is a deterioration in credit quality to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected. When a loan becomes impaired, recognition of interest income ceases.

Investments in ventures are carried at cost, or at cost less an allowance for loss on realization where there has been a decline in value.

Provision for loss on investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty. Provision for loss on investments include loan forgiveness and a provision for loss on realization of venture investments. The value of the venture investments, after provision for loss, represents their fair value.

Dividends from venture investments are included in revenue when received and are deposited to the Venture Investment Fund pursuant to Section 17(6) of the Act, to be used for additional investments in venture activities.

(f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is recorded by the straight-line method at rates set out below:

Buildings	20 years
Equipment	4 years
Office furniture and equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years
Vessel	4 years

Prior to April 1, 2000, capital assets were amortized over 5 years or the number of years in which the Corporation had received guaranteed funding from the Government. Buildings acquired subsequent to March 31, 2000 are amortized on a straight-line basis over 20 years while any equipment and software acquired are amortized on a straight-line basis over 4 years.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(g) Employee Benefit Liabilities

The Corporation grants annual leave to employees based upon their respective terms of employment. Any annual leave not used during the year is accrued as an expense at year-end using each employees current salary level.

The Corporation does not maintain a pension plan for its employees but does make matching contributions to a registered retirement savings plan administered by an agent of the employee's choice. These contributions represent the total liability of the Corporation and are recognized on a current basis.

The Corporation also provides a life insurance and healthcare benefit plan through the NWT Chamber of Commerce Group Insurance Plan. The Corporation is not responsible for any future liabilities of this plan and premiums paid to that plan are recognized on a current basis.

(h) Revenue

Revenues earned from operations are recorded as services are rendered. Revenue is recognized on an accrual basis.

(i) Business Development Expenses

Business development expenses include spending on feasibility studies, business plans, investigations, due diligence assessments and appraisals which have been approved by the Board or the President. It is the Corporation's policy to charge these expenses to current year operations.

(j) Contributions from the Government of the Northwest Territories

The Corporation receives a contribution from the Government as set out below. This contribution is used for the purposes set out in the contribution agreement and is not repayable.

The contribution is allocated at the discretion of the Board as approved by the Financial Management Board (the FMB) 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 capital assets for the Corporation.

The amount of the contribution approved by the Board for investment in majority-owned subsidiaries and for the acquisition of capital assets for the Corporation and for working capital advances to the subsidiaries is recorded as deferred capital contribution, and is amortized (into income) on the same basis as the amortization of the related capital assets and investments.

The amount of the contribution approved by the Board for investment in loans receivable, preferred shares or non-controlling interests in common shares is recorded as Contributed Equity - Venture Investments and is recognized in the year for which the funds are advanced.

The amount of the contribution approved by the Board for providing operating subsidies to the subsidiaries is recognized in the year that the subsidy is paid to the subsidiary. A subsidy contribution which has not been expended at year end lapses. The amount of the contribution approved by the Board for providing project contributions is recognized in the year that the project contribution is paid. The amount of the contribution approved by the Board for financing head office operations and business development expenses is recognized in the year for which it is approved by the Legislative Assembly of the Government.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2003

2. Accounting Principles (continued)

(k) Federal and Territorial Funding

The subsidiaries apply directly to specific programs and the funding is recognized as income in their financial statements and the consolidated financial statements.

(l) Measurement Uncertainty

The preparation of the financial statements, in accordance with Canadian generally accepted accounting principles, requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. 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 management estimates relate to the valuation of venture investments and inventories.

3. Change of Accounting Policy

Effective April 1, 2002, the Corporation has changed the method for accounting for dividends received from venture investments. These dividends are now recognized as revenue for the year. In prior years, these dividends were credited directly to Contributed Equity - Venture Investments. This change is being applied on a retroactive basis and the consolidated financial statements for the year ended March 31, 2002 have been restated accordingly. As a result of this change, Revenue has been increased by \$105,791 (2002: \$86,776), Net loss from operations decreased by \$105,791 (2002: \$86,776) and the 2003 Net income increased by \$105,791 (2002: Net loss decreased by \$86,776).

To reflect the fact that Section 17(6) of the Act requires that such dividends be deposited in the Venture Investment Fund, a transfer is made from the Deficit account to the Contributed Equity - Venture Investments account in the Consolidated Statement of Deficit and Contributed Equity - Venture Investments.

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4. Job Creation Or Maintenance And Compliance With Investment And Subsidy Limits

The *Act* provides the Corporation with the mandate to create or maintain jobs within the Northwest Territories. To this end, the Government provides a contribution to the Corporation.

Under subsection 16(4) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Subsidy Fund to a subsidiary or for the benefit of a project, a subsidy for operating costs each fiscal year in an amount not exceeding the prescribed maximum for the project or subsidiary. Under subsection 16(3) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Capital Fund to a subsidiary or for the benefit of a project, as initial investment, an amount not exceeding the prescribed maximum of \$100,000 per job created.

The *Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the FMB. The FMB has approved the subsidy expense for the 2002-2003 fiscal year through a Financial Management Board Record of Decision; amounts were expended consistent with the Corporation's policy on Job Creation and Measuring the Results and with the *Northwest Territories Development Corporation Regulations*. Arctic Canada Trading Co. Ltd., with the approval of the FMB, received a subsidy in excess of the \$25,000 per job.

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2002-2003 fiscal year. Indirect jobs have been calculated using the Northwest Territories Bureau of Statistics Input-Output Model and have been calculated on an aggregate basis for subsidiary operations. Direct and indirect venture job creation and maintenance numbers have been aggregated in order not to compromise venture operations.

	Current Year Subsidies Provided	Direct Jobs		Indirect Jobs (Aggregate Totals)	
		2003	2002	2003	2002
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	\$ 130,000	18.50	15.50		
Acho Dene Native Crafts Ltd.	100,000	4.00	4.00		
Arctic Canada Trading Co. Ltd.	250,000	.75	3.00		
Dene Fur Clouds Ltd.	225,000	9.00	8.50		
Nahanni Butte General Store Ltd.	75,000	3.00	3.00		
Rae Lakes General Store Ltd.	-	5.00	5.00		
	\$ 780,000	40.25	39.00	14.00	11.00
NWT Development Corporation Head Office		8.00	8.00	7.00	5.00
Venture Investments		48.25	47.00	21.00	16.00
		76.50	67.50	32.00	20.00
		124.75	114.50	53.00	36.00

In fiscal 2002-2003, the total number of direct and indirect jobs created or maintained by the Corporation, its subsidiaries and the ventures that it has invested in, number 177.75.

Aklavik & Tuktoyaktuk Furs Ltd., Great Slave Lake Forest Products Ltd. and Muskox Leather Inc. did not receive any capital or subsidy dollars in the fiscal year, nor did they create or maintain any jobs.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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5. Government Contributions

	2003	2002
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	\$ 780,000	\$ 1,130,000
Contribution to operations and business development	1,985,230	742,808
Amortization of deferred capital contributions - Government	95,194	149,762
	2,860,424	2,022,570
Federal and Territorial programs	44,019	454,911
	\$ 2,904,443	\$ 2,477,481

6. Deferred Capital Contributions

	2003	2002
Opening balance	\$ 2,663,694	\$ 2,677,956
Funding received in the year	93,030	135,500
Amortization recognized	(95,194)	(149,762)
	\$ 2,661,530	\$ 2,663,694

7a. Funds

The consolidated cash balance available to the Corporation and its subsidiaries at March 31, 2003 totalled \$2,206,996. This balance consisted of \$779,492 in reserve funds and \$1,427,504 in consolidated cash balances (net of bank indebtedness). The unconsolidated bank balance of the Corporation as at March 31, 2003 was \$1,905,274. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	\$ 185,069
Capital Reserve Fund	321,381
Funds available for venture investments	499,795
Venture Reserve Fund	458,111
Funds available for operations	195,221
Funds available for subsidies	245,697
	1,905,274
Subsidiary cash balances	301,722
Consolidated cash balance including reserves	\$ 2,206,996

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7b. Reserve Funds

Pursuant to Sections 16 and 17 of the *Act*, the Corporation is required to administer a Capital Reserve Fund and a Venture Reserve Fund. The Corporation is required to allocate to these funds an amount equal to 10% of the sums paid from the Capital Fund and the Venture Fund. The legislation indicates that allocations are required to these two reserve funds up to a prescribed maximum. The prescribed maximum is \$1 million for both reserve funds.

The Corporation is required to pay amounts in the Capital Reserve Fund that exceed the prescribed maximum of \$1 million to the Consolidated Revenue Fund of the Government. The Corporation is required to contribute to the Venture Reserve Fund until it reaches the prescribed maximum of \$1 million. Further contributions are not required when the maximum is maintained.

	2003	2002
Capital Reserve Fund		
Opening reserve	\$ 349,381	\$ 332,536
Current year reserve deposit	22,000	28,500
Draws	(50,000)	(11,655)
Ending reserve	321,381	349,381
Venture Reserve Fund		
Opening reserve	153,311	423,311
Current year reserve deposit	54,800	70,000
Repayments (draws)	250,000	(340,000)
Ending reserve	458,111	153,311
	\$ 779,492	\$ 502,692

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8. Venture Investments

	2003	2002
Loans Receivable		
Red Dog Mountain Contracting Ltd.	\$ -	250,000
Tii-Cho Co-operative Ltd.	212,350	212,350
Wekweti Development Corporation	220,000	220,000
Nats'enelu Ltd.	100,000	100,000
	532,350	782,350
Less: Provision for loss	(477,350)	(260,000)
	55,000	522,350
Investments in Shares		
Red Dog Mountain Contracting Limited	preferred 1,425,600	1,425,600
Tri-Vanguard Pictures Ltd.	preferred 400,000	400,000
ADK Corporate Group	preferred 300,000	300,000
Canzeal Enterprises Ltd.	preferred 300,000	-
Kunnek Resource Development Corp	preferred 300,000	150,000
175119 Canada Inc. (Norweta Cruises)	preferred 273,311	273,311
Two River Development Group Ltd.	preferred 160,000	160,000
Nats'enelu Ltd.	preferred 150,000	150,000
Dunnett Petroleum Ltd.	preferred 135,000	135,000
North Nahanni Naturalist Lodge Ltd.	preferred 100,000	100,000
Enodah Wilderness Travel Ltd.	preferred 98,000	-
F.C. Services Ltd.	preferred 30,000	30,000
Acoda Gifts Ltd.	common 15,000	15,000
Tii-Cho Co-operative Ltd.	preferred 100	100
Nortech Fire & Safety Ltd.	preferred -	200,000
974104 N.W.T. Ltd. (Deline)	preferred -	100,000
Great Circle Entertainment Ltd.	preferred -	81,739
Aboriginal Language Services Corporation	preferred -	42,000
	3,687,011	3,562,750
Less: Provision for loss	(2,108,011)	(2,192,050)
	1,579,000	1,370,700
Net Investment in Venture Investments	\$ 1,634,000	\$ 1,893,050

Investments, in all classes of ventures, for 2003 totalled \$4,219,361 (2002: \$4,345,100) with associated provisions made of \$2,585,361 (2002: \$2,452,050). Impaired loans in 2003 total \$532,350 (2002: \$532,350); the associated provision for loss is \$477,350 (2002: \$260,000).

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Notes to Consolidated Financial Statements

March 31, 2003

8. Venture Investments (continued)

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. The Corporation does not exercise significant influence on its venture investments.

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; venture investments earned \$105,791 in 2003 (2002: \$86,776).

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 FMB (\$1,000 or less). Once an account has been forgiven, no further collection action is possible.

In 2003, five accounts totalling \$1,411,239 were forgiven by the Legislative Assembly (2002: nil). No accounts were forgiven by the FMB (2002: nil).

9. Capital Assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	\$ 18,247	\$ -	\$ 18,247	\$ 3,197
Buildings	4,297,055	3,802,973	494,082	536,701
Equipment	593,136	591,004	2,132	15,961
Leasehold improvements	252,909	246,069	6,840	10,261
Office and equipment	386,132	378,466	7,666	16,904
Computer equipment	126,857	123,355	3,502	22,083
Vehicles	108,515	93,283	15,232	12,973
Construction in progress	287,741	-	287,741	92,971
	\$ 6,070,592	\$ 5,235,150	\$ 835,442	\$ 711,051

The majority of the capital asset balance has been amortized due to accounting treatment that tied the amortization to the subsidy reporting period. That reporting period varied in length, from one to five years.

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10. Bank Indebtedness

Bank indebtedness represents bank overdrafts that carry an interest rate of prime plus 5.0%.

	2003	2002
Bank overdrafts	25,194	-

11. Long-term Debt

	2003	2002
Aurora Fund loan repayable at end of term. Simple interest of 7.00% (\$9,450) is payable monthly. Repayment in full is due January 2004.	\$ 1,620,000	\$ 1,620,000

In relation to the Aurora Fund loan, the Corporation is required to make monthly payments into a sinking fund held by a trustee, the Pacific & Western Group of Companies, for the redemption of long-term debt. The required monthly payment is \$27,000 less interest of 6.00% earned on the outstanding monthly balance. At the end of the five year term, the sinking fund will be used to repay the full amount of the loan.

	2003	2002
Sinking Fund Balance	\$ 1,350,000	\$ 1,026,000

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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12. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

	2003	2002
Accounts receivable	\$ 66,122	\$ (124,657)
Dividends receivable	-	436
Inventory	(177,606)	(216,359)
Deposits and prepaid expenses	6,150	(11,435)
Accounts payable and accrued liabilities	(292,965)	(299,152)
Provision for site restoration	-	(323,322)
	\$ (398,299)	\$ (974,489)

(b) Contribution From Government

Capital funds	\$ 93,030	\$ 135,500
Venture funds	602,800	770,000
	\$ 695,830	\$ 905,500

13. Commitments

Lease Obligations

The Corporation is committed to operating leases for rental of office space and equipment at the future minimum payments as set out below:

	2003	2002
2003	-	159,937
2004	149,115	156,714
2005	40,102	60,902
2006	10,739	44,139
2007	575	33,600
	\$ 200,531	\$ 455,292

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Notes to Consolidated Financial Statements

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14. 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 at normal trade terms.

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are as follows:

	2003	2002
<u>Revenues</u>		
Sales	\$ 123,733	\$ 142,696
<u>Expenses</u>		
Purchases	\$ 495,076	\$ (152,349)
<u>Balances at year end</u>		
Accounts Receivable	\$ 14,594	\$ 43,569
Accounts Payable	\$ 75,991	\$ 166,025

15. Discontinued Operations

On March 31, 2003, Great Slave Lake Forest Products Ltd. was dissolved. There were no gains or losses associated with this event.

16. Subsequent Events

(a) *Northwest Territories Business Development and Investment Act*

The Minister responsible for the Corporation has drafted and plans to table a Bill to enact the *Northwest Territories Business Development and Investment Act*. If passed in the legislature, the Bill would create the Northwest Territories Business Development and Investment Corporation which then will assume the operations of the Corporation.

(b) *Muskox Leather Inc.*

In July 2003, resolutions were passed dissolving Muskox Leather Inc.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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17. Selling and Administrative Expenses

	2003	2002
Salaries and wages	\$ 1,670,867	\$ 1,730,440
Office and general	195,410	201,106
Travel	190,702	192,536
Utilities	180,067	132,038
Advertising and promotion	172,569	115,334
Rent	155,794	151,984
Professional fees	85,774	62,998
Board members	73,443	92,804
Bank charges and interest	60,945	80,492
Telephone	48,788	55,196
Bad debts	35,325	42,220
Workshops	3,945	4,590
	\$ 2,873,629	\$ 2,861,738

18. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 2003.

Northwest Territories Development Corporation
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19. Segmented Information

	Acho-Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co.	Dene Fur Clouds	Ft. McPherson Tents	Musk-ox Leather	Nahanni-Butte General	Rae Lakes General	2003 Total
Revenues	\$ 187,055	\$ 19,835	\$ 356,531	\$ 113,378	\$ 504,329	\$ -	\$ 385,408	\$ 1,044,384	\$ 2,610,920
Net profit (loss) before subsidy	\$ (103,461)	\$ (1,171)	\$ (136,174)	\$ (258,099)	\$ (55,598)	\$ (1,388)	\$ (101,269)	\$ 26,485	\$ (630,673)
Subsidy	\$ 100,000	\$ -	\$ 250,000	\$ 225,000	\$ 130,000	\$ 207,089	\$ 75,000	\$ -	\$ 987,089
Profit (loss) after subsidy	\$ (3,461)	\$ (1,171)	\$ 113,826	\$ (33,099)	\$ 74,404	\$ 205,701	\$ (26,269)	\$ 26,485	\$ 356,416
Deficit									
March 31, 2002	\$ (731,506)	\$ (952,412)	\$ (689,008)	\$ (289,629)	\$ (1,284,678)	\$ (196,030)	\$ (916,757)	\$ (159,186)	\$ (5,079,206)
Surplus (deficit)									
March 31, 2003	\$ (734,987)	\$ (953,583)	\$ (455,182)	\$ (322,728)	\$ (1,190,274)	\$ 9,671	\$ (943,026)	\$ (132,701)	\$ (4,722,790)

Inter-segment sales are accounted for at prices comparable to open market prices for similar products and services.



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