



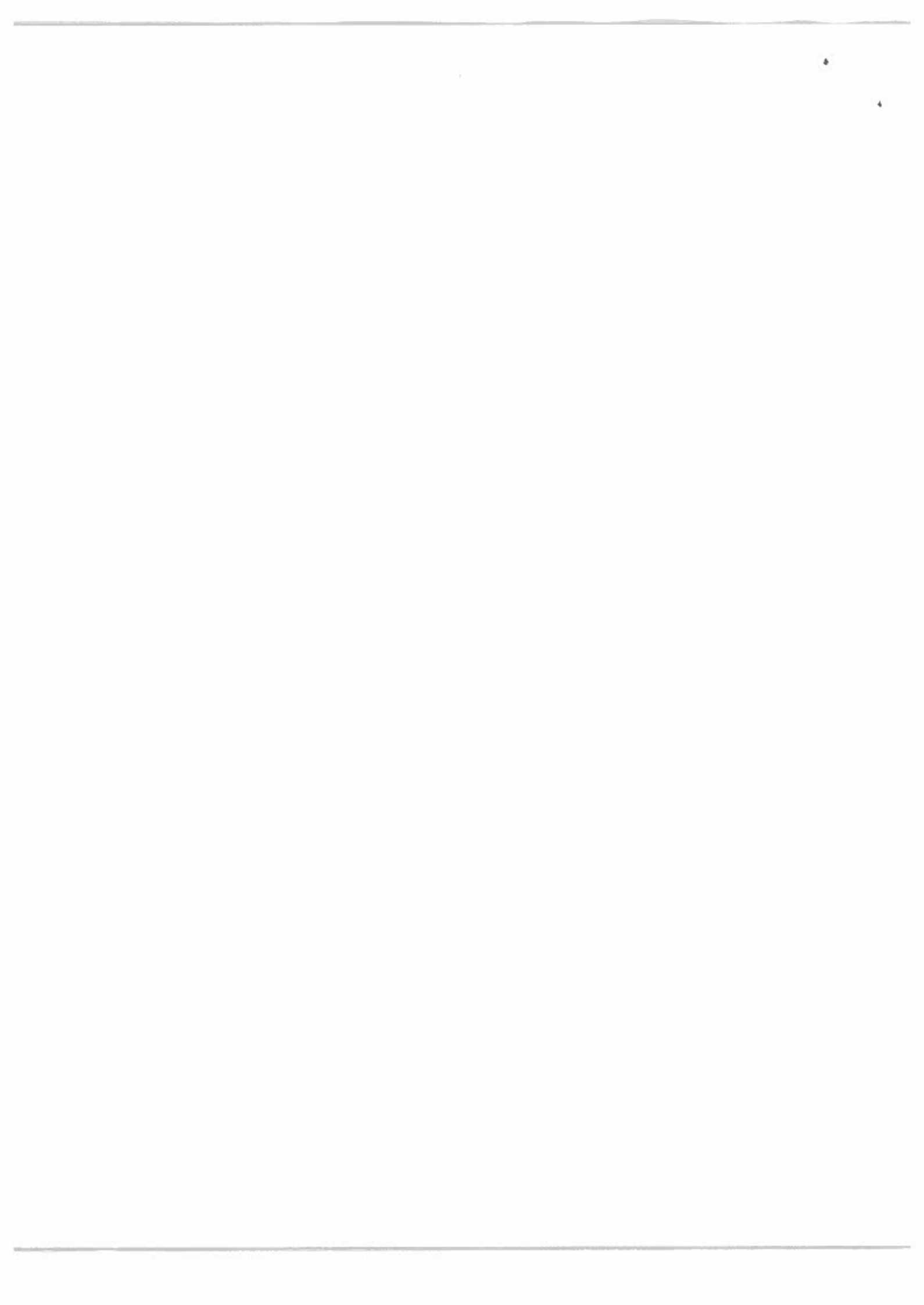
Northwest Territories Development Corporation

Annual Report

1998/99



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NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

**ANNUAL REPORT
MARCH 31, 1999**

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*Northwest Territories
Development Corporation*

May 30, 2000

**HONORABLE JOSEPH L. HANDLEY
MINISTER RESPONSIBLE FOR THE
NORTHWEST TERRITORIES DEVELOPMENT CORPORATION
GOVERNMENT OF THE NORTHWEST TERRITORIES**

Re: Annual Report Of The Board Of Directors For 1998/99

I am pleased to submit the annual report of the Northwest Territories Development Corporation for the fiscal year ended March 31, 1999.

We thank you and your staff for the cooperation extended to the Board of Directors and the Corporation during this period.

Respectfully submitted on behalf of the Board of Directors,

**Daniel McNeely
Chairperson**



NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

CORPORATE INFORMATION

The Northwest Territories Development Corporation is a Crown corporation established by the *Northwest Territories Development Corporation Act of 1990*. It is owned by the Government of the Northwest Territories, represented by the Minister of Resources, Wildlife and Economic Development. A board of directors appointed by the Executive Council directs the business of the Corporation.

The objectives of the Corporation are:

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

- (b) to invest in business enterprises in order to:**
 - (i) stimulate growth of business in the Territories, and**
 - (ii) promote economic diversification and stability; and**

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

The Corporation's head office is located in Yellowknife, NWT. The President & CEO of the Northwest Territories Development Corporation during this period was Mr. Glen Soloy.

The Corporation's Board of Directors from April 1, 1998 to March 31, 1999 were:

Bob Leonard	Chairperson
Ernie Daniels	Vice-Chairperson
Jerry Ell	Director
Dan Marion	Director
Daniel McNeely	Director



NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

SUMMARY OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 1999

As at March 31, 1999, the Northwest Territories Development Corporation (the Corporation) wholly or partially owned investments in eighteen subsidiaries and fifteen joint venture companies. The original investment in the capital assets of the subsidiaries was \$19.003 million and after amortization, the current net book value of these assets was \$1.193 million. The original investment in the venture companies was \$4.118 million. Of this \$1.880 million has been set aside as a provision for losses on investments, leaving a net book value of \$2.238 million.

During this fiscal year the Corporation generated gross sales of \$7.284 million which earned a gross margin of \$599 thousand. The Corporation also earned revenues from interest and management fees of \$347 thousand, which brings the total net revenues to \$946 thousand. After incurring operating expenses of \$8.971 million the net loss incurred from operations was \$8.025 million. Adjustments totalling \$535 thousand resulted in a total net loss before government contributions of \$7.490 million.

The Government of the Northwest Territories made contributions of \$5.447 million in the fiscal year 1998/99. The resultant net loss of the Corporation for the fiscal year ended March 31, 1999 was \$2.044 million.

The subsidiaries in which the Northwest Territories Development Corporation either owns wholly or partially, as at March 31, 1999 were:

Kitikmeot Foods Ltd.	Cambridge Bay
Pangnirtung Fisheries Ltd.	Pangnirtung
Keewatin Meat & Fish Ltd.	Rankin Inlet
933261 NWT Ltd.	Whale Cove
Ivalu Ltd.	Rankin Inlet
Uqurmiut Arts & Crafts (1993) Ltd.	Pangnirtung
Taluq Designs Ltd.	Taloyoak
Kiluk Ltd.	Arviat
913044 NWT Ltd. (Tent & Canvas Shop)	Fort McPherson
Aklavik and Tuktoyaktuk Furs Ltd.	Aklavik & Tuktoyaktuk
Acho Dene Native Crafts Ltd.	Fort Liard
Great Slave Lake Forest Products Ltd.	Fort Resolution
Nahanni Butte General Store Ltd.	Nahanni Butte
Rae Lake General Store Ltd.	Gameti



List of Subsidiaries – continued

Arctic Canada Trading Company Ltd. 963904 NWT Ltd. (Dene Creations) Muskox Leather Inc. Jesse Oonark Ltd.	Yellowknife Lutsel K'e Inuvik/Yellowknife Baker Lake
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The ventures in which the Northwest Territories Development Corporation has investments as at March 31, 1999 were:

Loan receivable:

Uqqurmiut Inuit Artists Association	Pangnirtung
--	--------------------

Investments in preferred shares:

963912 NWT Ltd. (Great Bear Lake lodges)	Yellowknife
953801 NWT Ltd. (Rae-Edzo store)	Rae-Edzo
175119 Canada Inc. (Norweta cruises)	Yellowknife
933273 NWT Ltd. (West Baffin Coop)	West Baffin
Wekweti Development Corporation (Hotel)	Wekwetki
Great Circle Entertainment Ltd. (Games)	Fort Resolution
Red River Incorporated Band Ltd. (Store)	Tsiigetichic
Red Dog Mountain Contracting Limited	Tulita
Fyremaster Equipment Sales & Service	Hay River
Two River Development Group Ltd. (Hotel)	Tulita
974104 NWT Ltd. (Hotel)	Deline
North Nahanni Naturalist Lodge Ltd.	Fort Simpson
Aboriginal Language Services Corporation	Yellowknife
F.C. Services Ltd. (Service station)	Rae-Edzo
Nats'enu Ltd. (Aboriginal fashions)	Fort Simpson



Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 1999



Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

November 10, 1999

To the Minister Responsible for 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 generally accepted accounting principles 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 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 President and CEO, and the Vice President & Comptroller in place during the year under audit are no longer with the Corporation. The current President was appointed in late March, 1999 and the Acting Vice President & Comptroller has been engaged under a short term contract effective mid-June, 1999.

The Board of Directors, 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. The Audit Committee meets with management to discuss the financial reporting process as well as accounting and reporting issues. The external auditors have full and free access to the Audit Committee.

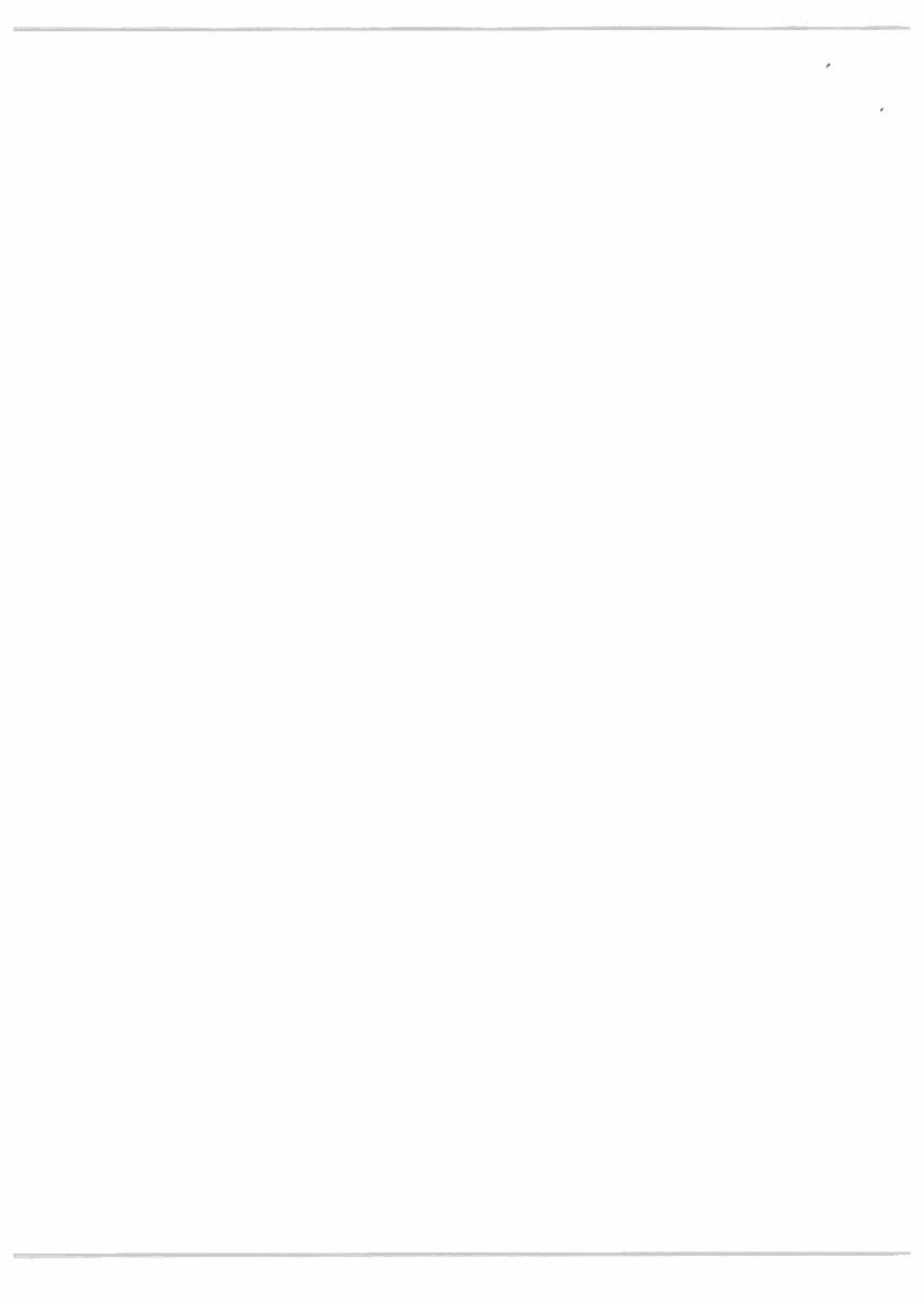
The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. He also considers whether transactions which come to his notice in the course of this audit are, in all significant respects, in accordance with the specified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



Fred Koe
President



William Graham
Acting Vice President & Comptroller



Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 1999

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AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of
Resources, Wildlife, and Economic Development

I have audited the consolidated balance sheet of the Northwest Territories Development Corporation as at March 31, 1999 and the consolidated statements of operations, deficit, contributed equity 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.

I conducted my audit in accordance with 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, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion these principles have been applied on a basis consistent with that of the preceding year.

I wish to draw to your attention that, as disclosed in note 3, the Corporation has not collected information to ensure that operating subsidies or investments have not exceeded amounts stipulated by the Financial Management Board. Under sections 16(4) of the Northwest Territories Development Corporation Act, the Corporation may pay subsidies to cover operating costs to its subsidiaries based on jobs created directly or indirectly. Sections 16(3) and 17(3) of the Act allow the Corporation to invest in subsidiaries and business enterprises up to an amount prescribed, again based on jobs created directly or indirectly. The Financial Management Board has the authority to prescribe the limits in the absence of required regulations under the Act. A Financial Management Board Directive set a limit of \$10,000 per annum in operating subsidies for the subsidiaries and an investment of \$100,000 in its subsidiaries and business enterprises, for each job created. The Corporation has not collected information on jobs created to demonstrate that the operating subsidies, or investments have not exceeded the maxima stipulated. These financial statements do not reflect any excess subsidies or investments that may be recoverable and repayable to the Government of Northwest Territories.

In my opinion, proper books of account have been kept by the Corporation and its subsidiaries. The consolidated financial statements are in agreement therewith. Except for the failure of the Corporation to ensure that operating subsidies and investments have not exceeded the limits stipulated by the Financial Management Board, as described in the preceding paragraph, 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 Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Development Corporation Act*, the *Northwest Territories Business Corporations Act* and by-laws of the Corporation and its subsidiaries.

Sheila Fraser

Sheila Fraser, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
November 10, 1999, except for Note 14, which is as of March 30, 2000.



Northwest Territories Development Corporation**Consolidated Statement of Operations**

For the years ended March 31,	1999	1998
Revenue		
Sales	\$ 7,284,024	\$ 6,571,334
Cost of goods sold	6,685,013	6,551,045
Gross margin	599,011	20,289
Interest	217,315	159,780
Other revenue	121,834	259,797
Management fees	7,500	11,250
	945,660	451,116
Expenses		
Selling and administrative (Schedule)	6,295,905	6,024,231
Amortization	1,045,874	1,536,630
Provision for loss on investments	1,075,125	137,250
Business development	154,208	60,296
Site restoration expenses (Note 12b)	400,000	-
	8,971,112	7,758,407
Net income (loss) from operations	(8,025,452)	(7,307,291)
Other items		
Gain on disposal of assets	274,788	-
Loss allocated to non-controlling interests	260,245	4,900
	535,033	4,900
Net income (loss) before government contributions	(7,490,419)	(7,302,391)
Government contributions (Note 4a)	5,446,696	6,237,314
Net income (loss) before extraordinary item	(2,043,723)	(1,065,077)
Extraordinary Item		
Proceeds from insurance claims (Note 4b)	-	1,302,400
Net income (loss)	\$ (2,043,723)	\$ 237,323



Northwest Territories Development Corporation**Consolidated Statement of Deficit and Contributed Equity**

For the years ended March 31,	1999	1998
Deficit		
Balance, beginning of year	\$ (3,089,595)	\$ (3,326,918)
Net loss	(2,043,723)	237,323
Balance, end of year	\$ (5,133,318)	\$ (3,089,595)

Contributed Equity - Venture Investments

Balance, beginning of year	\$ 4,552,429	\$ 4,218,614
Contribution from the Government of the Northwest Territories	717,200	279,400
Dividends earned	80,190	54,415
Balance, end of year	\$ 5,349,819	\$ 4,552,429



Northwest Territories Development Corporation

Consolidated Balance Sheet

As at March 31,	1999	1998
Assets		
Current		
Cash	\$ 1,850,735	\$ 2,907,425
Accounts receivable	870,134	542,209
Due from - GNWT	-	329,000
Dividends receivable	5,250	31,463
Inventory	3,549,016	3,000,184
Deposits and prepaid expenses	63,111	49,153
	6,338,246	6,859,434
Reserve funds (Note 6)	985,159	511,617
Venture investments (Note 7)	2,237,950	975,875
Capital assets (Note 8)	1,193,301	1,027,592
Sinking fund investment (Note 10b)	54,000	-
	\$ 10,808,656	\$ 9,374,518
Liabilities		
Current		
Bank indebtedness (Note 9)	\$ 1,271,035	\$ 1,188,015
Accounts payable and accrued liabilities	1,476,891	1,617,676
Deferred capital contributions - GNWT (Note 5)	4,723,053	4,367,740
Deferred subsidies - GNWT	-	23,000
Provision for site restoration (Note 12b)	400,000	-
Current portion of long term debt	109,567	-
	7,980,546	7,196,431
Long term-debt (Note 10)	1,896,356	-
	9,876,902	7,196,431
Equity		
Contributed surplus - GNWT	715,253	715,253
Contributed equity - Venture Investments	5,349,819	4,552,429
Deficit	(5,133,318)	(3,089,595)
	931,754	2,178,087
	\$ 10,808,656	\$ 9,374,518

Approved by the Board


Daniel McNeely
Chairman of the Board


Elizabeth Wyman
Chairperson of the Audit Committee



Northwest Territories Development Corporation**Consolidated Statement of Cash Flow**

For the years ended March 31,	1999	1998
Operating activities		
Net income (loss)	\$ (2,043,723)	\$ 237,323
Items not affecting cash		
Amortization	1,045,874	1,536,630
Amortization of deferred capital contributions - GNWT	(136,739)	(715,267)
Gain on disposal of capital assets	(274,788)	-
Provision for loss on investments	1,075,125	137,250
Change in non-cash operating working capital (Note 11a)	(276,287)	(522,867)
Cash flows from operating activities	(610,538)	673,069
Financing activities		
Contribution from the Government of the Northwest Territories (Note 11b)	1,186,252	2,454,944
Issue of long-term debt	2,005,923	-
Contribution to sinking fund	(54,000)	-
Cash flows from financing activities	3,138,175	2,454,944
Investing activities		
Investment in venture investments	(2,337,200)	(124,000)
Investment in capital assets	(1,217,403)	(1,513,670)
Proceeds from disposal of capital assets	280,608	-
Dividends on venture investments	80,190	54,415
Cash flows from investing activities	(3,193,805)	(1,583,255)
Increase (Decrease) in cash	(666,168)	1,544,758
Cash, beginning of year	2,231,027	686,269
Cash, end of year	\$ 1,564,859	\$ 2,231,027
Represented by		
Cash	\$ 1,850,735	\$ 2,907,425
Reserve funds	985,159	511,617
Bank indebtedness	(1,271,035)	(1,188,015)
	\$ 1,564,859	\$ 2,231,027



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

1. Authority and operations

(a) Authority

The Corporation is a crown corporation of the Government of the Northwest Territories and operates under the authority of the Northwest Territories Development Corporation Act which came into effect August 24, 1990 and the Financial Administration Act.

(b) Operations

The Corporation directly invests in or operates business enterprises in accordance with the economic objectives of the Government of the Northwest Territories through equity investments, loans and subsidies. 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. It is the intention of the Corporation to divest itself of its subsidiary investments once the subsidiary has attained a sustainable level of profitability.

(c) Economic Dependency

The Corporation is economically dependent upon the Government of the Northwest Territories continuing contributions for operations and investments.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 27 of the Northwest Territories Development Corporation 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).

(e) Division

On April 1, 1999, subsequent to the fiscal year end, the Nunavut Act came into force. As a result, all operations in Nunavut will be taken over by the Government of Nunavut and its crown corporations. Notwithstanding this significant change in future operations, these financial statements have been prepared on a going concern basis. It is not practical to determine the potential impact on future operations of the two Development Corporations. Note 14 provides further information relevant to this subsequent event.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

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, 1999 these subsidiaries were:

Subsidiary	Location	Percentage Ownership	Incorporation Date
Arctic Foods			
Kitikmeot Foods Ltd.	Cambridge Bay, NWT	98%	April 9, 1992
Pangnirtung Fisheries Ltd.	Pangnirtung, NWT	51%	September 11, 1992
Keewatin Meat & Fish Ltd.	Rankin Inlet, NWT	100%	October 2, 1992
933261 N.W.T. Ltd.	Whale Cove, NWT	51%	February 1, 1993
Light Manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NWT	100%	September 25, 1991
Jessie Oonark Ltd.	Baker Lake, NWT	100%	September 25, 1991
Ivalu Ltd.	Rankin Inlet, NWT	100%	October 2, 1992
963904 N.W.T. Ltd. (o/a Dene Creations)	Lutsel K'e NWT	51%	March 21, 1996
Aklavik and Tuktoyaktuk Furs Ltd.	Aklavik, NWT	100%	June 30, 1997
Muskox Leather Inc.	Yellowknife, NWT	100%	August 25, 1998
Fine Arts and Souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NWT	100%	October 15, 1992
Uqqurmiut Arts & Crafts (1993) Ltd.	Pangnirtung, NWT	51%	March 1, 1994
Taluq Designs Ltd.	Taloyoak, NWT	51%	April 12, 1995
Kiluk Ltd.	Arviat, NWT	100%	April 3, 1996
Lumber			
Great Slave Lake Forest Products Ltd.	Fort Resolution, NWT	100%	December 13, 1993
Wholesale/Retail Stores			
Nahanni Butte General Store Ltd.	Nahanni Butte, NWT	51%	October 15, 1992
Rae Lakes General Store Ltd.	Rae Lakes, NWT	100%	October 14, 1992
Arctic Canada Trading Co. Ltd.	Yellowknife, NWT	100%	June 28, 1997

On January 1, 1996, Northern Forest Products Ltd. ceased active operation. Effective April 1, 1997 all transactions flowed through Great Slave Lake Forest Products Ltd. The amalgamation of Northern Forest Products Ltd. with Great Slave Lake Forest Products Ltd. was completed March 31, 1999.

On March 6, 1996, Jessie Oonark Ltd. ceased active operations.

On April 12, 1999, 963904 NWT Ltd. (o/a Dene Creations) commenced operations.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

2. Accounting Principles (continued)

(a) Principles of Consolidation (continued)

The Corporation controls all of its subsidiaries but does not hold 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, 1999 and the results of their operations for the year then ended.

(b) Financial Instruments

The Corporation's financial instruments consist of cash, reserve funds, accounts receivable, due from GNWT, accounts payable and accrued liabilities, sinking fund, 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 values 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 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 or better from the Dominion Bond Rating Service or A-3 or better from the Canadian Bond Rating Service. The Corporation's investment yield at March 31, 1999 was 4.60%. (1998: 4.07%)

(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.

(e) Venture Investments

Loans receivable which relate to capital items are carried at the amount of the funds advanced less accumulated provision. When conditions of the loan agreement are not met, the loan becomes immediately due and receivable.

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

Investments in which the Corporation exercises significant influence are accounted for using the equity method.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

2. Accounting Principles (continued)

(e) Venture Investments (continued)

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 venture investments after provision for loss represents their fair value.

Dividends received are deposited to Contributed Equity - Venture Investments pursuant to Section 17(6) of the Northwest Territories Development Corporation Act and are 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	5-20%
Trailers	30%
Equipment	10-50%
Office furniture and equipment	10-25%
Leasehold improvements	20-50%
Computer equipment	20-50%
Vehicles	20-30%
Vessel	20%

Additional amortization on capital assets, used in those subsidiaries that are reliant on subsidies to maintain operations, is provided for in order to fully amortize the asset over five years, the estimated life of the subsidy reporting period.

(g) Revenue

Revenue is recognized on an accrual basis.

(h) 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 of Directors in accordance with the Corporation's Investment Guidelines. It is the Corporation's policy to charge these expenses to current year operations. The expenses are offset by a contribution received from GNWT.

(i) Employee Leave Benefits

Under their conditions of employment, employees qualify for annual leave. Annual leave is accrued as earned by employees and is payable within one fiscal year.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

2. Accounting Principles (continued)

(j) Pension Contributions

The Corporation and its employees make contributions to registered retirement pension plans. The Corporation matches contributions made by employees up to established limits. These contributions represent the total pension obligation of the Corporation and are recognized on a current basis.

(k) Contributions from the Government of the Northwest Territories

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

The contribution is allocated at the discretion of the Board of Directors for the purposes of acquiring capital and venture investments, providing operating subsidies to subsidiaries based on need, financing head office operations, providing project contributions to approved incorporated investments, 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 acquisition of capital assets for the Corporation and for working capital advances to the subsidiaries is recorded as Deferred Capital Contribution - GNWT, and is amortized (into income) on the same basis as 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 it is approved by the Legislative Assembly of the Government of the Northwest Territories.

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 may be carried forward to the following year and is recorded as Deferred Subsidies - GNWT.

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 are recognized in the year for which it is approved by the Legislative Assembly of the Government of the Northwest Territories.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

2. Accounting Principles (continued)

(l) Federal and Territorial Funding

The subsidiaries apply directly to specific programs and report the funding on their financial statements when received.

(m) Measurement Uncertainty

The preparation of the financial statements, in accordance with 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, inventories and the provision made for site restoration (Note 12b).

3. Compliance With Investment And Subsidy Limits

Under section 16(4) of the Northwest Territories Development Corporation Act, the Corporation may pay subsidies to cover operating costs, to its subsidiaries, based on jobs created directly, or indirectly, up to an amount prescribed by regulations under the Act. No regulations have been promulgated under the Act.

The Financial Management Board issued a record of decision dated November 14, 1989 setting an upper limit of \$10,000 per annum for each job created. Sections 16(3) and 17(3) of the Act allows the Corporation to invest in subsidiaries and business enterprises up to a prescribed amount. This prescribed amount is also based on jobs created, directly or indirectly, by that investment. The Financial Management Board's record of decision sets the investment limit at \$100,000 per job created.

The Corporation has not collected information on jobs created to demonstrate that the operational subsidies, or the investments, have not exceeded the maxima stipulated by the Financial Management Board. These financial statements do not reflect any excess subsidies or investments that may be recoverable and repayable to the Government of the Northwest Territories.

The Corporation plans to address the issue of job creation measurement during the 2000/2001 fiscal year.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

4a. Government Contributions

	1999	1998
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	\$ 2,623,000	\$ 2,781,292
Project contributions	1,196,540	1,107,468
Contribution to head office	1,061,000	1,331,000
Amortization of deferred capital contribution - GNWT	136,739	715,267
Contribution for business development	154,208	60,296
	<hr/>	<hr/>
	5,171,487	5,995,323
Federal and Territorial subsidies to subsidiaries	<hr/>	<hr/>
	275,209	241,991
	<hr/>	<hr/>
	5,446,696	6,237,314

4b. Extraordinary Item

Insurance proceeds received from the Government of the Northwest Territories by the following companies due to fire damage to buildings, equipment and inventory.

Keewatin Meat & Fish Ltd.	-	1,056,497
Great Slave Lake Forest Products Ltd.	-	80,000
Ivalu Ltd.	-	71,503
Kitikmeot Foods Ltd.	-	66,400
Pangnirtung Fisheries Ltd.	-	28,000
	<hr/>	<hr/>
	-	1,302,400
	<hr/>	<hr/>
Total Government Contributions	\$ 5,446,696	\$ 7,539,714



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

5. Deferred Capital Contribution

	1999	1998
Opening balance	\$ 4,367,741	\$ 2,857,025
Funding received in the year	492,052	2,225,983
Amortization recognized	(136,739)	(715,267)
Ending balance	\$ 4,723,054	\$ 4,367,741

6. Reserve Funds

Pursuant to Sections 16 and 17 of the Northwest Territories Development Corporation Act, the Corporation is required to establish a Capital Reserve Fund and a Venture Reserve Fund, respectively. The Corporation is to deposit to the Funds an amount equal to 10% of each capital and venture investment, up to a prescribed maximum of \$1 million each.

The Corporation may use the Funds for further investment or financing for its subsidiaries and venture investments through approved drawdowns. The Corporation is required to return amounts in the Capital Reserve Fund that exceed the prescribed maximum of \$1 million to the Consolidated Revenue Fund of the Government of the Northwest Territories. The Corporation is only required to contribute to the Venture Reserve Fund until it reaches the prescribed maximum of \$1 million.

	1999	1998
Capital Reserve Fund		
Opening reserve	\$ 276,851	\$ 99,367
Current year reserve deposit	233,342	177,484
Ending reserve	510,193	276,851
Venture Reserve Fund		
Opening reserve	234,766	222,366
Current year reserve deposit	240,200	12,400
Ending reserve	474,966	234,766
	\$ 985,159	\$ 511,617



Northwest Territories Development Corporation

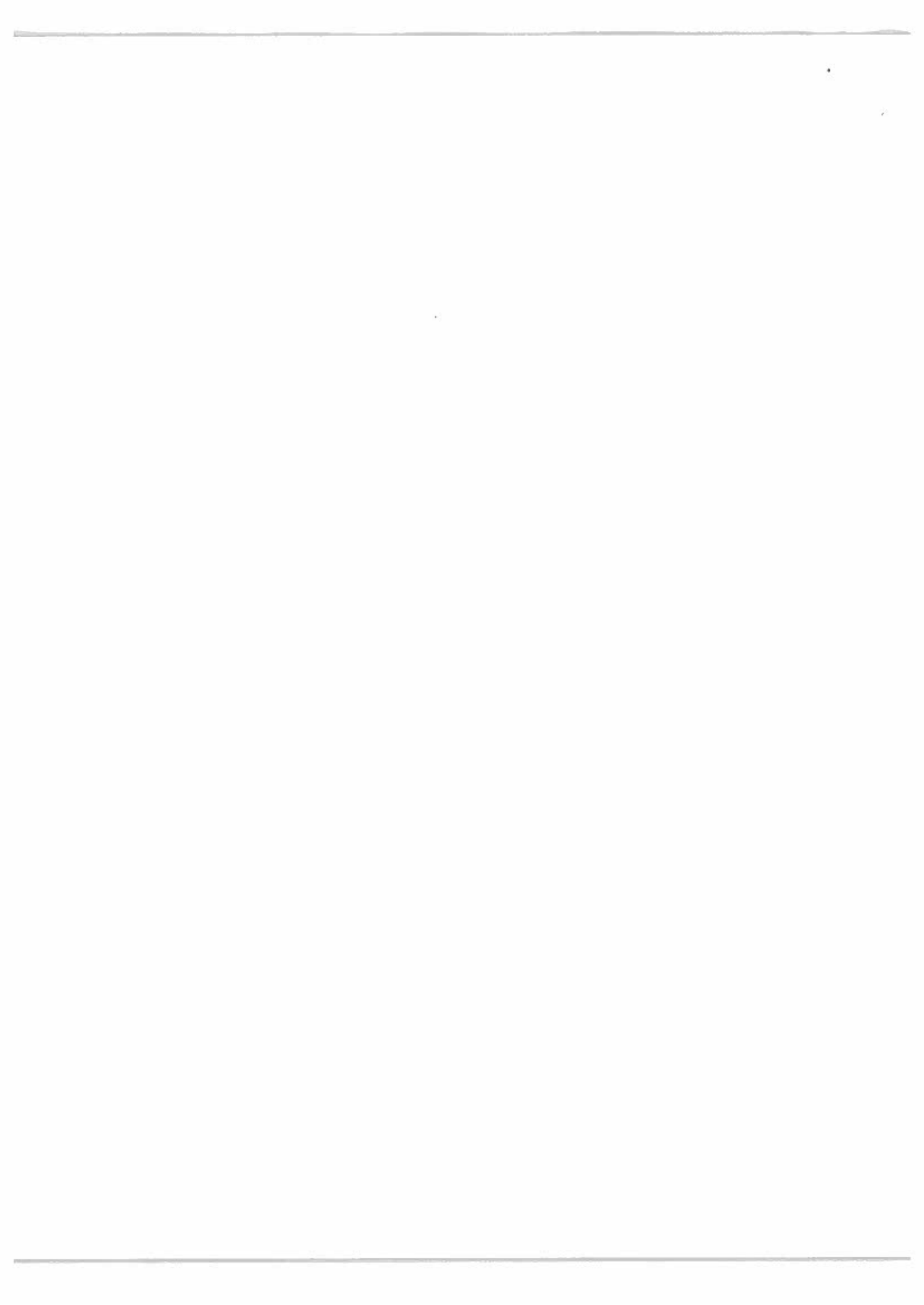
Notes to Consolidated Financial Statements

March 31, 1999

7. Venture Investments

	1999	1998
Loan receivable		
Uqurmiut Inuit Artists Association, non-interest bearing, for the purpose of financing building costs, maturing April 1, 2001.	\$ 679,000	\$ 679,000
Less: Provision for loss	(679,000)	(679,000)
	-	-
Investments in preferred shares		
Red Dog Mountain Contracting Limited	1,555,200	-
963912 N.W.T. Ltd (Great Bear Lake Lodges)	513,500	513,500
953801 N.W.T. Ltd. (Rae-Edzo)	294,350	294,350
175119 Canada Inc. (Norweta Cruises)	273,311	273,311
933273 N.W.T. Ltd. (West Baffin)	250,000	250,000
Wekweti Development Corporation	220,000	220,000
Fyremaster Equipment Sales & Service (Hay River) Ltd.	200,000	-
Two River Development Group Ltd.	160,000	-
Nats'enuk Ltd.	150,000	-
Great Circle Entertainment Ltd.	130,000	130,000
Red River Incorporated Band Ltd.	100,000	100,000
974104 N.W.T. Ltd. (Deline)	100,000	-
North Nahanni Naturalist Lodge Ltd.	100,000	-
Aboriginal Language Services Corporation	42,000	-
F.C. Services Ltd.	30,000	-
	4,118,361	1,781,161
Less: Provision for loss	(1,880,411)	(805,286)
	\$ 2,237,950	\$ 975,875

Investments in preferred shares carry the right of conversion to common shares. This right 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. Venture dividends received during 1999: \$80,190 (1998: \$54,415).



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

8. Capital Assets

	Cost	Accumulated Amorization	1999 Net Book Value	1998 Net Book Value
Land	\$ 3,197	\$ -	\$ 3,197	\$ 3,197
Buildings	13,188,641	12,485,598	703,043	749,133
Equipment	3,994,150	3,760,206	233,944	24,952
Leasehold improvements	587,757	565,442	22,315	72,662
Office and equipment	429,490	413,188	16,302	16,305
Computer equipment	365,250	199,437	165,813	161,343
Vehicles	210,547	167,500	43,047	-
Trailers	197,765	197,765	-	-
Vessel	26,137	20,497	5,640	-
	\$ 19,002,934	\$ 17,809,633	\$ 1,193,301	\$ 1,027,592

9. Bank Indebtedness

Bank indebtedness represents bank overdrafts and demand loans secured by a debenture over inventory and capital assets. Interest on demand loans is at prime plus 0.5%.

	1999	1998
Bank loans	\$ 1,125,000	\$ 955,000
Bank overdrafts	146,035	233,015
	\$ 1,271,035	\$ 1,188,015



Northwest Territories Development Corporation**Notes to Consolidated Financial Statements**

March 31, 1999

10. Long-term Debt

	1999	1998
Aurora Fund loan repayable at end of term. Simple interest of 7.00% is payable monthly. Due January 2004.	\$ 1,620,000	\$ -
Komatsu International Credit term loans repayable in monthly installments of \$10,558, interest at 5.65%. Due July 2002.	385,923	-
	\$ 2,005,923	\$ -
<u>Less: Current portion of long-term debt</u>	<u>\$ 109,567</u>	<u>\$ -</u>
	\$ 1,896,356	\$ -

Estimated aggregate repayments of long-term debt are as follows:

2000	109,567
2001	114,004
2002	120,615
2003	41,737
2004	1,620,000
	\$ 2,005,923

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 balance of the sinking fund will be used to repay the full amount of the loan.



Northwest Territories Development Corporation**Notes to Consolidated Financial Statements**

March 31, 1999

11. Consolidated Statement of Cash Flow - Summaries**(a) Changes in Non-cash Operating Working Capital**

	1999	1998
Accounts receivable	\$ (327,925)	\$ 129,131
Dividends receivable	26,213	(17,625)
Due from - GNWT	329,000	(329,000)
Inventory	(548,832)	184,486
Deposits and prepaid expenses	(13,958)	16,360
Accounts payable and accrued liabilities	(140,785)	(506,219)
Site restoration reserve	400,000	-
	<hr/> \$ (276,287)	<hr/> \$ (522,867)

(b) Contribution From GNWT

Capital funds	\$ 492,052	\$ 2,225,983
Venture funds	717,200	279,400
Less use of deferred subsidy	(23,000)	(50,439)
	<hr/> \$ 1,186,252	<hr/> \$ 2,454,944



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

12. Commitments and Contingencies

(a) 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:

	1999	1998
1999	\$ -	\$ 228,292
2000	151,760	181,151
2001	99,989	86,288
2002	101,139	39,588
2003	94,126	-
2004 and thereafter	203,940	-
	\$ 650,954	\$ 535,319

(b) Great Slave Lake Site Restoration Reserve

Great Slave Lake Forest Products Ltd. will cease operations during the 1999-2000 fiscal year. The Corporation will be responsible for site restoration expenses. Management has estimated these costs to be \$400,000 and have accrued this in the current year.

13. Related Party Transactions

The Corporation is a Territorial Crown corporation and 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:

	1999	1998
<u>Revenues</u>		
Sales	\$ 150,334	\$ 131,002
<u>Expenses</u>		
Purchases	\$ 521,108	\$ 469,520
<u>Balances at year end</u>		
Accounts Receivable	\$ 23,456	\$ 362,399
Accounts Payable	\$ 484,144	\$ 439,490



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

14. Subsequent Events

On April 1, 1999, subsequent to the fiscal year end, the Nunavut Act came into force.

(a) Division of assets and liabilities - procedure

The creation of Nunavut requires the transfer of Government assets and liabilities. On March 29, 1999, an agreement between the Government of the Northwest Territories and the Interim Commissioner of Nunavut, set out an approach for the division of the assets, liabilities and surplus/deficit of the Government, including the Northwest Territories Development Corporation. The approach as applied to the Corporation is as follows:

- (i). Allocate the capital assets and the related liabilities of the subsidiaries and venture investments on an as is, where is, basis. Adjust equity for the net amount allocated.
- (ii). Apportion the remaining equity using the agreed upon ratio of 55.66% to the NWT Development Corporation and 44.34% to the Nunavut Development Corporation.
- (iii). Allocate the remaining assets and liabilities on a basis that the two Corporations and Governments agree to be practical, trying to use a geographical basis where possible.
- (iv). Adjust any difference, between the value of assets and liabilities allocated and the equity apportioned, on a basis that the two Corporations and Governments agree to be practical.



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

14. Subsequent Events (continued)

(b) Division of assets and liabilities

Applying the approach described above to the March 31, 1999 financial statements of the Corporation results in the following allocations of the balance sheet:

	March 31, 1999	April 1, 1999 Corporation In	
		NWT	Nunavut
Assets			
Current			
Cash	\$ 1,850,735	\$ 1,430,466	\$ 420,269
Accounts receivable	870,134	422,140	447,994
Dividends receivable	5,250	5,250	-
Inventory	3,549,016	2,271,544	1,277,472
Deposits and prepaids	63,111	41,021	22,090
	6,338,246	4,170,421	2,167,825
Reserve funds	985,159	644,285	340,874
Venture investments	2,237,950	2,050,450	187,500
Capital assets	1,193,301	968,637	224,664
Sinking fund investment	54,000	54,000	-
Total Assets	\$ 10,808,656	\$ 7,887,793	\$ 2,920,863
Liabilities			
Current			
Bank indebtedness	\$ 1,271,035	\$ 758,646	\$ 512,389
Accounts payable	1,476,891	1,057,316	419,575
Deferred capital contribution	4,723,053	2,689,754	2,033,299
Due to Nunavut / (from GNWT)	-	143,962	(143,962)
Provision for site restoration	400,000	400,000	-
Current portion of long term debt	109,567	109,567	-
	7,980,546	5,159,245	2,821,301
Long term debt	1,896,356	1,896,356	-
	9,876,902	7,055,601	2,821,301
Equity			
Contributed surplus - GNWT	715,253	715,253	-
Contributed equity - Venture Inv.	5,349,819	3,744,799	1,605,020
Deficit	(5,133,318)	(3,627,860)	(1,505,458)
	931,754	832,192	99,562
Total Liabilities and Equity	\$ 10,808,656	\$ 7,887,793	\$ 2,920,863



Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 1999

15. Segmented Information

	Arctic Foods	Light Manufacturing	Fine Arts & Souvenirs	Lumber	Wholesale Retail Stores	Subsidiaries Total	Inter- Segment	Corporate	1999 TOTAL	1998 TOTAL
Sales	\$ 2,194,645	\$ 942,376	\$ 942,503	\$ 692,502	\$ 3,938,002	\$ 8,710,028	\$(1,426,004)	\$ -	\$ 7,284,024	\$ 6,571,334
Net loss from operations	\$ 915,069	\$ 928,847	\$ 641,617	\$ 1,689,391	\$ 1,578,326	\$ 5,753,250	-	\$ 2,272,202	\$ 8,025,452	\$ 7,307,291
Amortization	\$ 263,650	\$ 38,622	\$ 6,113	\$ 525,883	\$ 122,495	\$ 956,763	-	\$ 89,111	\$ 1,045,874	\$ 1,536,630
Assets										
Current	\$ 932,855	\$ 992,446	\$ 594,654	\$ 817,063	\$ 1,981,456	\$ 5,318,474	-	\$ 1,019,772	\$ 6,338,246	\$ 6,859,434
Capital & other	97,318	136,120	11,908	-	151,559	396,905	-	4,073,505	4,470,410	2,515,084
	\$ 1,030,173	\$ 1,128,566	\$ 606,562	\$ 817,063	\$ 2,133,015	\$ 5,715,379	-	\$ 5,093,277	\$ 10,808,656	\$ 9,374,518
Capital expenditures	\$ 360,970	\$ 174,743	\$ 14,824	\$ 525,883	\$ 87,831	\$ 1,164,251	-	\$ 53,152	\$ 1,217,403	\$ 1,513,670

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



Northwest Territories Development Corporation**Schedule - Consolidated Selling and Administrative Expenses**

For the years ended March 31,	1999	1998
Salaries and wages	\$ 3,357,546	\$ 2,958,695
Office and general	402,217	477,243
Bank charges and interest	156,502	140,016
Rent	444,104	426,743
Utilities	444,701	371,595
Travel	419,457	345,733
Advertising and promotion	341,546	125,775
Bad debts	42,392	23,981
Board members	80,139	71,713
Building expense	-	2,532
Professional fees	174,036	631,470
Telephone	161,954	171,312
Workshops	271,311	277,423
	\$ 6,295,905	\$ 6,024,231

