



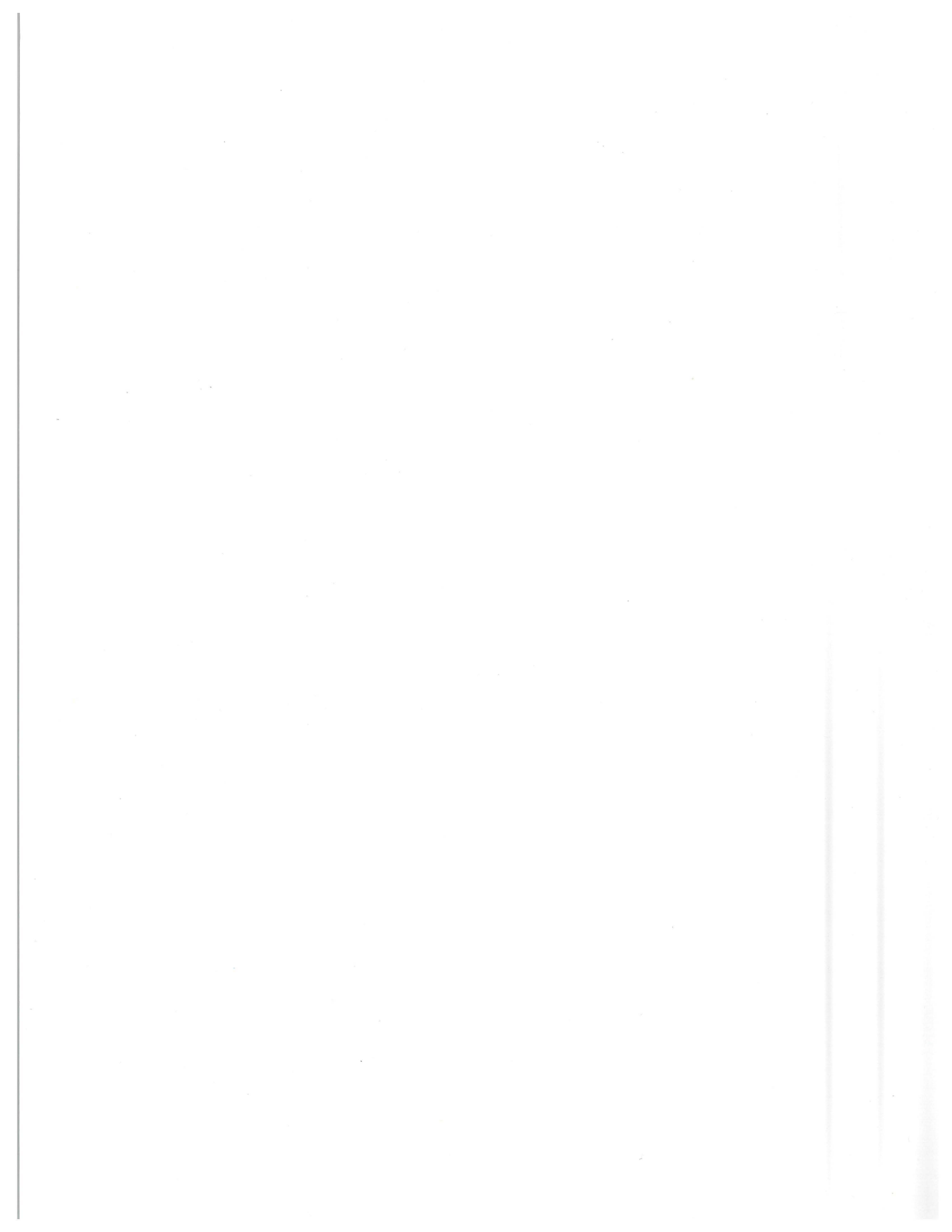
Business Credit Corporation

1996 Annual Report



Northwest Territories
Business Credit Corporation

The Business Credit
Corporation is a
crown corporation
responsible for
encouraging business
development and growth
throughout the NWT.



NWT LEGISLATIVE LIBRARY



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N.W.T.
LEGISLATIVE LIBRARY

DEC - 2 1996

Yellowknife, N.W.T.

MESSAGE FROM THE CHAIR - 1996

THE HONOURABLE STEPHEN KAKFWI
MINISTER
ECONOMIC DEVELOPMENT & TOURISM

NWT Business Credit Corporation 1995-96 Annual Report

I have pleasure in presenting the Annual Report of the Northwest Territories Business Credit Corporation for the fiscal year ending March 31, 1996.

The year marked several changes.

Firstly, our former Minister, the Honourable John Todd, moved on to take the Finance portfolio. The Board of Directors and myself wish to thank him for his direction and support during his years as our Minister.

Secondly, we welcomed you as our new Minister and look forward to working with you to continue providing efficient and timely service to Northern clients.

Thirdly, we saw several changes in our Board of Directors. Andrea Zubko and Anthony Chang resigned from the Board. I will miss their excellent support and dedication. Anthony Chang was a director for many years, both of the BCC and its predecessor, the Business Loan Fund.

In their place we welcomed two new Directors, Dennie Lennie from Inuvik and Kimberly Staples from Yellowknife, who is also our new Chairperson.

During the year, the number of loans submitted and authorized rose by over 50% (fifty percent) from the previous year.

Loans to level 2 and 3 communities showed the largest increase. In fact loans to these smaller communities comprised over 60% (sixty percent) of the total loans authorized this year.

Message from the Chair


This highlights the decision taken in previous years to decentralize lending authority to the Regional Superintendents of Economic Development & Tourism. BCC loans are now providing financing to businesses in communities where standard Banking facilities are limited or non existent, in a speedier, more efficient manner.

Although there is still a need for BCC financing in the level 1 communities, this is on a lower level, and restricted to larger loans and those loans that, for various reasons, such as higher risk new businesses, do not meet the established criteria of other lenders.

In these changing times, the BCC is continually striving to simplify its application procedures and security requirements, to provide better service to Northern clients. The Board and staff are prepared to meet future challenges without compromising public funds and service to clients.

I wish to extend my thanks to the Board of Directors for their commitment and support during the year.

On their behalf, I wish to thank BCC management and staff and the Headquarters and regional staff of the Department of Economic Development & Tourism for their support and assistance throughout the year.


Kimberly Staples
Chairperson

BCC BOARD OF DIRECTORS 1995/96

KIM STAPLES	CHAIRPERSON	YELLOWKNIFE
AL WOODHOUSE	VICE CHAIRPERSON	IQALUIT
MARK KALLUAK	DIRECTOR	ARVIAT
ANTHONY CHANG*	DIRECTOR	YELLOWKNIFE
ALISON BARR	DIRECTOR	RANKIN INLET
KEITH PETERSON	DIRECTOR	CAMBRIDGE BAY
FREDA MARTSELOS	DIRECTOR	FORT SMITH
JAMES ROSS	DIRECTOR	FORT MCPHERSON
DENNIE LENNIE	DIRECTOR	INUVIK
ANDREA ZUBKO*	DIRECTOR	YELLOWKNIFE

* RESIGNED DURING YEAR

INTRODUCTION

The objective of the BCC is to stimulate economic development and employment in the Northwest Territories, by making loans to business enterprises, guaranteeing loans made by financial institutions to business and by providing bonds to resident business enterprises. It is responsible for making business development loans to northern businesses where conventional lending institutions are not prepared to participate. Its role, therefore, is a blend of being a last resort lender and a developmental agency to provide financial support for higher risk entrepreneurial ventures.

HISTORICAL HIGHLIGHTS

- 1970 - The Small Business Loans Fund was created by Indian and Northern Affairs Canada, to provide financing to those businesses and individuals unable to obtain reasonable commercial debt financing from conventional lenders.
- 1977 - The Small Business Loans Fund was transferred to the Government of the Northwest Territories. The scope of the fund was expanded to allow the provision of loan guarantees and loan and guarantee limits were increased to \$500,000 from \$50,000.
- 1982 - The Business Loans and Guarantees Fund was opened to all qualifying territorial businesses and the word "small" was removed from the Fund's title. Previously businesses whose gross revenues exceeded \$1 million were ineligible.
- 1985 - The Fund provided contract security to businesses unable to obtain the bonding required to participate in NWT Housing Corporation construction projects.
- 1986 - The Fund's capitalization was increased to \$16 million.
- 1989 - The fund's capitalization was increased to \$20 million.
- 1991 - The BCC Act was proclaimed and the Corporation commenced operations. Loan and guarantee limits were raised to \$1 million.
- 1992 - The assets of the Business Loans and Guarantees Fund were transferred to the BCC.
- 1993 - The BCC is included in a review of Department of Economic Development & Tourism in connection with reorganization of the Department and the Business Credit Corporation.

Historical Highlights

- 1994 - In accordance with the suggestions incorporated in the above review, BCC staff is increased to provide a greater degree of independence and increased service to clients.
- Lending authority, to a maximum of \$200,000, is delegated to Regional Superintendents of Department of Economic Development & Tourism. This is designed to provide quicker turn-around time for the majority of BCC loan applications.
- Operational Procedures are formulated by BCC, in consultation with the Department of Economic Development & Tourism, to provide guidance and support to Regional Superintendents and ensure conformity with prudent lending practices, at the same time acting in accordance with Ministerial Directives and the objectives of the BCC.
- 1995 - The BCC's Fund limit is increased to \$23 million. This limit can be extended as far as \$50 million under the existing legislation, upon approval of the Financial Management Board.
- 1996 - BCC's Fund limit is increased to \$28 million.

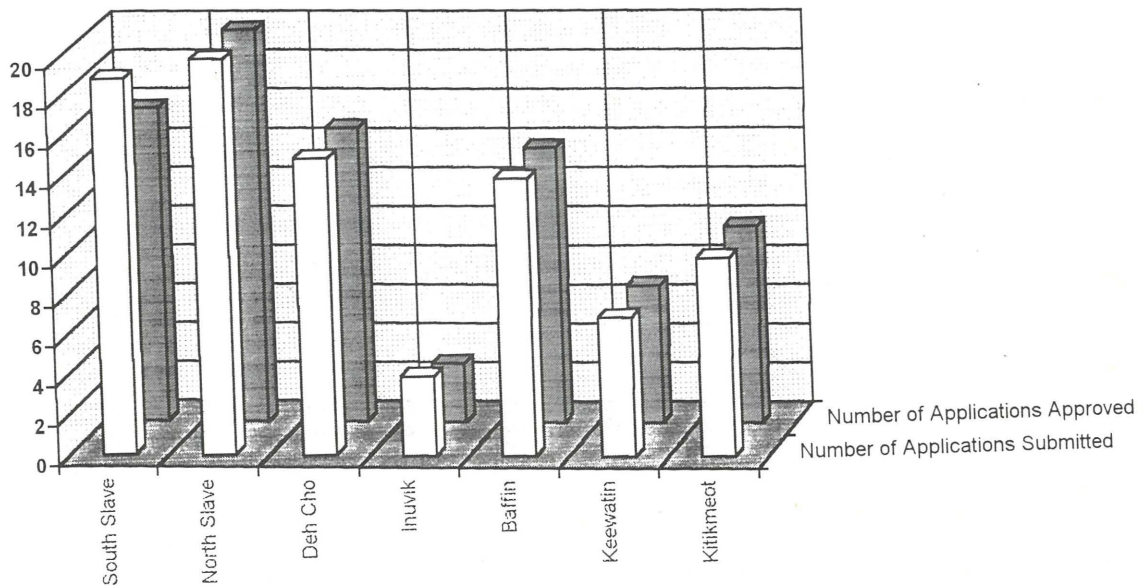
LENDING PARAMETERS

- Maximum loan and liability for any one business - \$1 million
- Maximum amount for any one business loan, bond, guarantee or indemnity - \$1 million
- Maximum loan term - 5 years
- Maximum loan amortization - 25 years
- Interest rate - 2% over commercial bank's prime lending rate, set quarterly.

NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY REGION

Region	Number of Applications Submitted		Number of Applications Approved	
	1995	1996	1995	1996
South Slave	23	19	20	16
North Slave	9	20	9	20
Deh Cho	6	15	6	15
Inuvik	4	4	3	3
Baffin	7	14	7	14
Keewatin	6	7	6	7
Kitikmeot	4	10	4	10
Total	59	89	55	85

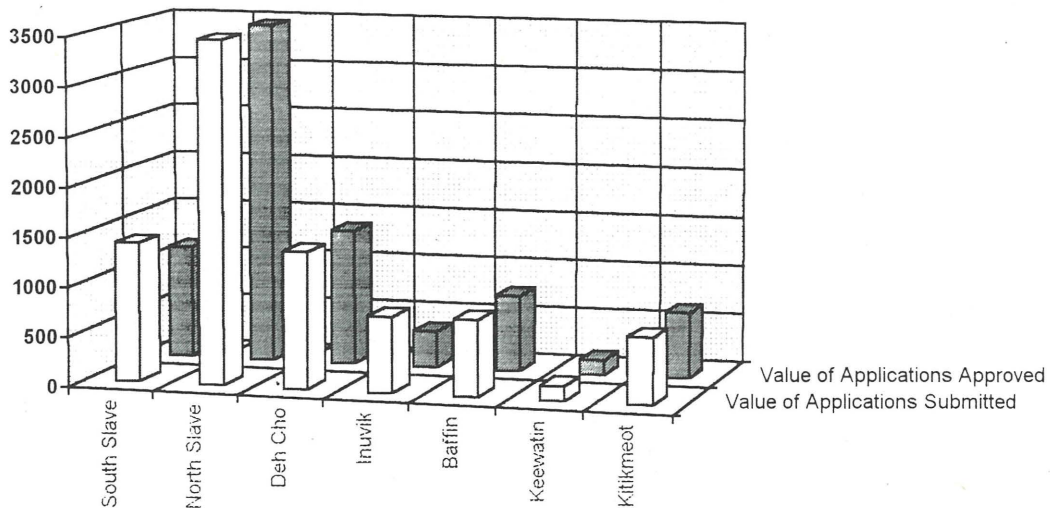
Number of Applications for 1996



VALUE OF APPLICATIONS SUBMITTED AND APPROVED BY REGION

Region	Value of Applications Submitted (000s)		Value of Applications Approved (000s)	
	1995	1996	1995	1996
South Slave	\$2,238	\$1,404	\$1,787	\$1,143
North Slave	\$2,250	\$3,469	\$2,157	\$3,469
Deh Cho	\$318	\$1,380	\$318	\$1,380
Inuvik	\$394	\$766	\$229	\$370
Baffin	\$637	\$774	\$587	\$774
Keewatin	\$683	\$150	\$683	\$150
Kitikmeot	\$2,309	\$668	\$2,309	\$668
Total	\$8,829	\$8,611	\$8,070	\$7,954

Value of Applications for 1996



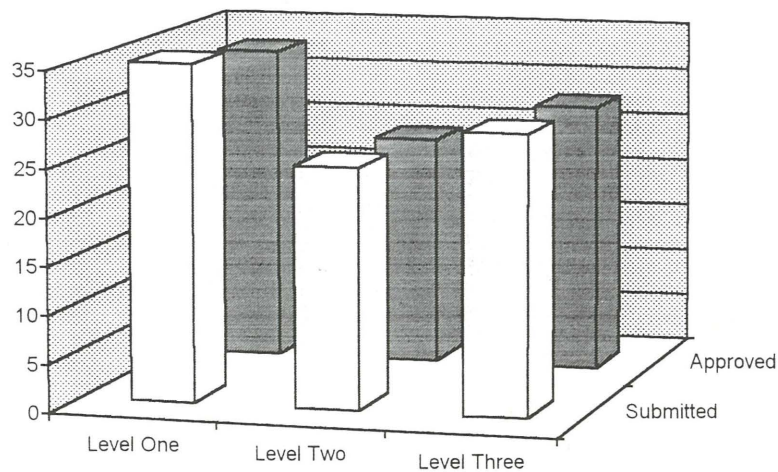
Number of Applications Submitted and Approved by Community Level

	Number of Applications Submitted		Number of Applications Approved	
	1995	1996	1995	1996
Level One	28	35	25	33
Level Two	10	25	10	24
Level Three	21	29	20	28
Total	59	89	55	85

Definition of Community Levels

- Level 1: Yellowknife, Hay River, Fort Smith, Inuvik
- Level 2: Iqaluit, Rankin Inlet, Cambridge Bay, Rae-Edzo Fort Simpson, Norman Wells
- Level 3: All other communities not listed above

Number of Applications for 1996



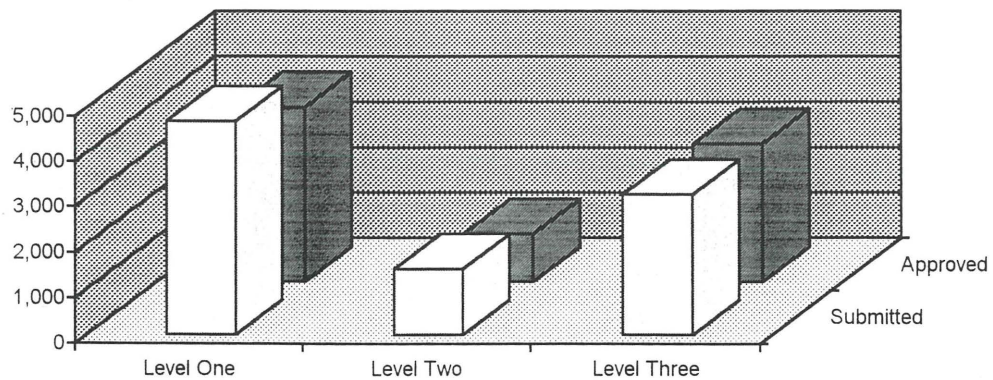
Value of Applications Submitted and Approved by Community Level

	Value of Applications Submitted (000s)		Value of Applications Approved (000s)	
	1995	1996	1995	1996
Level One	\$3,808	\$4,073	\$3,332	\$3,858
Level Two	\$2,014	\$1,447	\$2,014	\$1,051
Level Three	\$3,007	\$3,091	\$2,724	\$3,045
<i>Total</i>	<i>\$8,829</i>	<i>\$8,611</i>	<i>\$8,070</i>	<i>\$7,954</i>

Definition of Community Levels

- Level 1: Yellowknife, Hay River, Fort Smith, Inuvik
- Level 2: Iqaluit, Rankin Inlet, Cambridge Bay, Rae-Edzo Fort Simpson, Norman Wells
- Level 3: All other communities not listed above

Value of Applications for 1996



FINANCIAL STATEMENTS

MARCH 31, 1996

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NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Northwest Territories Business Credit Corporation were prepared by management in accordance with generally accepted accounting principles as described in the notes to the financial statements. When alternative accounting policies exist, management has chosen those it deems most appropriate in the circumstances. Financial statements include amounts requiring estimates, which have been made based upon informed judgment as to the expected results of current transactions and events. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

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 assets are acquired prudently, used to further the Corporation's aims, and are protected from loss.

The Corporation is subject to the Northwest Territories Business Credit Corporation Act and the Financial Administration Act. It also receives ministerial directives establishing policy guidelines. Management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable legislation and for maintaining standards of conduct that are appropriate to a territorial Crown corporation.

The Board of Directors appoints certain of its members to serve on the Management Sub-Committee. This Sub-Committee oversees management's responsibility for financial reporting and reviews and recommends the financial statements to the Board for approval.

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



Afzal Currimbhoj
Chief Executive Officer.

May 17, 1996



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister responsible for the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 1996 and the statements of operations and deficit and changes in financial position 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position 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, after giving retroactive effect to the change in the method of accounting for impaired loans as explained in note 2 to the 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 financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Financial Administration Act and regulations, the Northwest Territories Business Credit Corporation Act and by-laws of the Corporation.

A handwritten signature in black ink, appearing to read 'Raymond Dubois'.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 17, 1996

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

**BALANCE SHEET
MARCH 31, 1996
(Thousands of Dollars)**

ASSETS	<u>1996</u>	<u>1995</u>
Cash	\$ 134	\$ 58
Loans Receivable (Note 3)	23,438	19,131
Accrued Interest Receivable	<u>265</u>	<u>291</u>
	23,703	19,422
Less: Allowance for Losses on Impaired Loans (Note 3)	<u>4,775</u>	<u>5,240</u>
	<u>18,928</u>	<u>14,182</u>
Capital Assets (net of accumulated amortization of \$28 (1995: \$12))	27	31
	<u>\$ 19,089</u>	<u>\$ 14,271</u>
LIABILITIES		
Accounts Payable	\$ 26	\$ 100
Working Capital Advance from the Government of the Northwest Territories (Note 4)	<u>21,180</u>	<u>16,952</u>
	21,206	17,052
DEFICIT		
Deficit	<u>(2,117)</u>	<u>(2,781)</u>
	<u>\$ 19,089</u>	<u>\$ 14,271</u>

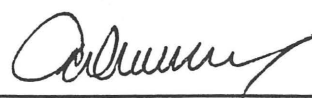
STATUTORY LIMIT (NOTE 4)

CONTINGENT LIABILITY (NOTE 6)

APPROVED:



Chairperson of the Board of Directors



Chief Executive Officer

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS AND DEFICIT

For the Year Ended March 31, 1996

(Thousands of Dollars)

	1996	1995
LOANS		
Interest Income on Loans Receivable	\$ 1,726	\$ 1,549
Interest Expense on the Working Capital Advance from the Government of the Northwest Territories (Note 4)	1,284	1,316
Net Interest Income	442	233
Recovery from (Provision for) Losses on Impaired Loans (Note 3)	154	(389)
Net Income (Loss) on Lending Activities	596	(156)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	601	696
Board Meetings	65	73
Office	53	49
Computer Services	45	44
Professional Fees	44	2
Amortization	16	9
Communications	15	13
	839	886
Less: Operating Contribution - Government of the Northwest Territories	839	886
Additional Contribution (Note 5)	68	-
	907	886
Net Operating Contributions	68	-
NET INCOME (LOSS) FOR THE YEAR	664	(156)
DEFICIT AT THE BEGINNING OF THE YEAR	(2,781)	(2,625)
DEFICIT AT THE END OF THE YEAR	\$ (2,117)	\$ (2,781)

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 1996

(Thousands of Dollars)

	<u>1996</u>	<u>1995</u>
OPERATING ACTIVITIES		
Net Income (Loss) for the Year	\$ 664	\$ (156)
Items Not Affecting Treasury Position		
(Recovery from) Provision for Losses on Impaired Loans	(154)	389
Amortization	16	9
	<u>526</u>	<u>242</u>
Increase (Decrease) in Treasury Position		
Accrued Interest Receivable	26	41
Accrued Interest Written-off or Forgiven	(2)	(8)
Accounts Receivable	-	8
Accounts Payable	(74)	59
	<u>476</u>	<u>342</u>
Cash Generated by Operating Activities	<u>476</u>	<u>342</u>
INVESTING ACTIVITIES		
Loans Receivable Disbursed	(9,297)	(6,252)
Loans Receivable Repaid	4,681	4,657
Purchase of Capital Assets	(12)	(18)
	<u>(4,628)</u>	<u>(1,613)</u>
Cash Used by Investing Activities	<u>(4,628)</u>	<u>(1,613)</u>
DECREASE IN TREASURY POSITION FOR THE YEAR	(4,152)	(1,271)
TREASURY POSITION AT BEGINNING OF THE YEAR	<u>(16,894)</u>	<u>(15,623)</u>
TREASURY POSITION AT END OF THE YEAR	<u>\$ (21,046)</u>	<u>\$ (16,894)</u>
Working Capital Advance from the Government of the Northwest Territories	\$ (21,180)	\$ (16,952)
Cash	<u>134</u>	<u>58</u>
TREASURY POSITION AT END OF THE YEAR	<u>\$ (21,046)</u>	<u>\$ (16,894)</u>

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

1. AUTHORITY, OBJECTIVE AND OPERATION

The Corporation was established in 1991 pursuant to the Northwest Territories Business Credit Corporation Act. It is subject to the Financial Administration Act and is a Crown corporation of the Government of the Northwest Territories (the Government).

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories, by making loans to resident business enterprises, guaranteeing loans made by financial institutions to resident business enterprises, providing bonds to resident business enterprises and indemnifying bonding companies which have provided bonds to resident business enterprises. In addition, the Corporation is responsible for making business development loans to Northern businesses to create economic development opportunities in communities where conventional lending institutions are not prepared to participate, and its role, therefore, is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

Economic dependency

The Corporation is economically dependent upon the Government's continuing contributions for operations and working capital advances.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles. The significant accounting policies followed by the Corporation in the preparation of these financial statements are summarized below.

Loans

Loans are stated at principal amounts receivable. Accrued interest receivable and an allowance for loan impairment are recorded separately.

Allowance for loan impairment

The allowance for loan impairment represents management's best estimate of probable losses on loans at the end of the fiscal year. The allowance has a specific and general component.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for loan impairment (cont'd)

In 1996, the Corporation adopted the new accounting standards governing impaired loans issued by the Canadian Institute of Chartered Accountants. No adjustments were considered necessary to the comparative figures presented in the financial statements as a result of adopting these new accounting standards.

a) **Specific allowance:** A loan is classified as impaired when one or more of the following conditions exist:

- in the opinion of management, there is reasonable doubt to the ultimate collectability of principal or interest, or
- principal or interest is six months past due, unless the loan is well secured, or
- the loan has been previously restructured and principal or interest is three months past due, or
- principal or interest is twelve months past due regardless of whether or not the loan is well secured.

When a loan is considered to be impaired, the carrying amount of the loan is reduced to its estimated realizable value. This is the lower of the recorded amount of the loan or the net realizable value of the underlying security of the loan. The amount of initial impairment and any subsequent changes resulting from revised net realizable values of previously identified impaired loans are recorded through the provision for impaired loans as an adjustment to the specific allowance.

b) **General allowance:** In addition to the specific allowance, the Corporation maintains a general allowance to reflect management's estimate for losses on those impaired loans which cannot yet be specifically identified. The general allowance is determined based on historical loss experience, aggregate exposure in particular industries or geographical regions, and prevailing economic conditions.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

Interest is generally recognized on an accrual basis. The Corporation ceases to accrue interest once a loan is classified as impaired. Cash received on impaired loans is recognized as income only when the related allowance for impairment has been reversed. Cash receipts on any previously written off loans are recorded on a cash basis.

Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight line basis over the estimated useful life of the assets as follows:

Computers	3 years
Furniture and Equipment	4 years

Operating contribution

Under the terms of an operating agreement between the Corporation and the Government, direct administrative expenses paid by the Government are recorded by the Corporation as an operating contribution from the Government.

Direct administrative expenses paid by the Government include salaries and benefits, cost of board meetings, office and computer services, professional fees, amortization of capital assets and communications. Direct administrative costs exclude costs of lending activities. The operating contribution is recorded in operations.

Services provided without charge

The Corporation does not record the value of capital assets or services provided by the Government without charge. Services provided by the Government include accounting support, employee long term benefits, regional and personnel services as well as office accommodation. Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Pension contributions

The Corporation and its employees, make contributions to the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

3. LOANS RECEIVABLE

Loans and allowance for losses on impaired loans

<u>Region</u>	<u>Range of Annual Interest Rates</u>		<u>Principal Balance</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
			(thousands of dollars)	
Baffin	7.50-11.75%	7.50-13.25%	\$ 2,130	\$ 2,134
Deh Cho	7.50-15.50%	7.50-16.25%	1,783	1,593
Inuvik	7.50-13.00%	7.00-13.00%	1,377	1,487
Keewatin	7.50-11.50%	7.50-16.25%	2,839	2,922
Kitikmeot	7.50-10.75%	7.50-10.00%	2,636	786
North Slave	7.50-15.50%	7.50-15.50%	7,479	5,396
South Slave	7.50-13.25%	7.50-13.25%	<u>5,194</u>	<u>4,813</u>
Gross Loans Receivable			23,438	19,131
Accrued Interest			<u>265</u>	<u>291</u>
			<u>23,703</u>	<u>19,422</u>
Less Allowance for Losses on Impaired Loans:				
Specific			4,393	4,528
General			<u>382</u>	<u>712</u>
			<u>4,775</u>	<u>5,240</u>
Loans Receivable Net of Allowance for Losses on Impaired Loans			<u>\$ 18,928</u>	<u>\$ 14,182</u>

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

3. LOANS RECEIVABLE (CONT'D)

Accrued interest receivable

	<u>1996</u>	<u>1995</u>
	(thousands of dollars)	
Current	\$ 109	\$ 49
Arrears	<u>156</u>	<u>242</u>
	<u>\$ 265</u>	<u>\$ 291</u>

Gross loans receivable and accrued interest include loans of \$5,350,000 (1995: \$4,649,000) that the Corporation has specifically classified as impaired.

Allowance for losses on impaired loans

Balance at beginning of year	\$ 5,240	\$ 5,307
Less: write-offs	72	27
forgiveness	<u>239</u>	<u>429</u>
	4,929	4,851
 (Recovery from) provision for losses on impaired loans		
Specific	176	357
General	<u>(330)</u>	<u>32</u>
	(154)	389
 Balance at end of year	 <u>\$ 4,775</u>	 <u>\$ 5,240</u>

In 1996, the general component rate established by management in previous years at five percent (5%) of loans receivable, net of specific provision was reduced to two percent (2%). This reduction in estimate is prudential in nature and continues to provide for losses on those impaired loans which cannot yet be identified on a loan-by-loan basis, and to absorb losses attributable to the deterioration of quality of loans receivable on an aggregate exposure in a particular industry or geographical region.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

3. LOANS RECEIVABLE (CONT'D)

Write-offs

Under the provisions of the Financial Administration Act, a loan (outstanding principal and interest) can only be approved for write-off by either the Legislative Assembly (over \$20,000) or the Board of Directors (\$20,000 or less). A loan written off is still subject to collection action.

In 1996, the Board of Directors approved the write-off of four loans totalling \$34,700 (1995: two loans totalling \$26,700) and the Legislative Assembly approved the write-off of one loan in the amount of \$34,000 (1995: nil). Recoveries on loans written off in previous years totalled \$54,000 (1995: \$41,000).

Forgiveness

Under the provisions of the Financial Administration Act, only the Legislative Assembly has the authority to forgive a loan (outstanding principal and interest). Once a loan has been forgiven, no further collection action is possible.

	<u>1996</u>	<u>1995</u>
Number of borrowers' accounts forgiven	10	12
Number of borrowers forgiven	7	10
Total amount forgiven	\$ 161,000	\$ 870,000

4. STATUTORY LIMIT AND THE WORKING CAPITAL ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Northwest Territories Business Credit Corporation Act authorizes the Corporation to have outstanding loans, guarantees, bonds, and bond indemnities to borrowers up to \$50 million. The Corporation is required to establish a fund to process the lending activity of the Corporation. Pending formal establishment thereof, funding is made available through a working capital advance from the Government. The balance of the working capital advance fluctuates based on the need of the Corporation, but is not to exceed \$28 million (1995: \$25 million), as approved by the Financial Management Board.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

4. STATUTORY LIMIT AND THE WORKING CAPITAL ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES (CONT'D)

Interest is calculated at a rate of selected Government of Canada 3 year bond rates at the end of each month. The rates are applied to the working capital advance outstanding at the end of the month, compounded annually.

5. ADDITIONAL CONTRIBUTION

In 1996, the Government provided an additional contribution of \$68,000 to the Corporation to fund administrative expenditures incurred by the Corporation in 1993 and 1994 that had exceeded approved operating contributions for those years. The administrative expenditures were paid for by Government when they were incurred in 1993 and 1994 and the Corporation had recorded a liability to the Government for reimbursement. As a result of the 1996 additional contribution, the Corporation's liability to the Government for these administrative expenditures has been extinguished.

6. CONTINGENT LIABILITY

Two legal proceedings are pending which challenge certain practices or actions of the Corporation. These proceedings are loan related and are in reaction to steps taken by the Corporation to call delinquent loans and enforce rights in collateral security of such loans. The outcome of these claims is unknown at this time.

7. SERVICES PROVIDED WITHOUT CHARGE

The value of services provided without charge by the Government of the Northwest Territories is estimated as follows:

	<u>1996</u>	<u>1995</u>
	(thousands of dollars)	
Staff support	\$ 172	\$ 160
Accommodation	47	47
Employee long term benefits	<u>4</u>	<u>52</u>
	<u>\$ 223</u>	<u>\$ 259</u>

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996

8. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, 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.

9. COMPARATIVE FIGURES

Certain of the 1995 comparative figures have been reclassified to conform with the presentation adopted in 1996.

LIST OF LOAN ACCOUNTS APPROVED FOR WRITE OFF

Loan Accounts Approved by the Board of Directors

David King	\$ 12,914.43
Pineview Gulf Services	14,921.45
Roger Boniface	982.13
Jack Regan o/a Jack's Taxi	<u>5,843.03</u>
	\$ 34,661.04

Loan Account Approved by the Legislative Assembly

MacKenzie Service and Construction Ltd.	\$ 34,980.53
Total	<u>\$ 69,641.57</u>

LIST OF LOAN ACCOUNTS APPROVED FOR FORGIVENESS

Loan Accounts Approved by the Legislative Assembly

Yellowknife Lodge Ltd.	\$ 15,890.10
Jei'ko Ltd. o/a Jei'ko Motel	43,161.67
MacKenzie Times - Northern Multi Media	24,658.83
Mike's Repair Shop	1,663.78
Cazon Outfitting Ltd.	12,107.36
Naocha Enterprises	17,461.03
912958 NWT Ltd. o/a Northern Delights	<u>46,112.53</u>
Total	<u>\$ 161,055.30</u>

