

Business Credit Corporation

1997 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.

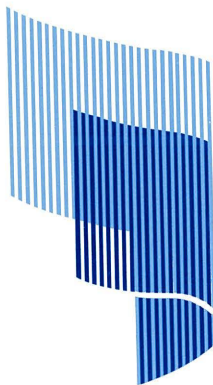
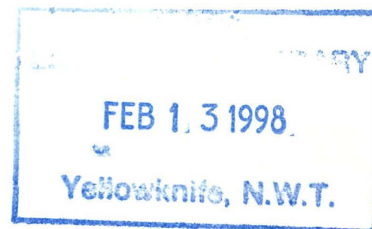




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MESSAGE FROM THE CHAIRPERSON - 1997

THE HONOURABLE STEPHEN KAKFWI
MINISTER
RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT

NWT Business Credit Corporation 1996-97 Annual Report

I have pleasure in presenting the Annual Report of the Northwest Territories Business Credit Corporation for the fiscal year ending March 31, 1997.

During the year the Board of Directors underwent several changes.

Sadly, Mr. Al Woodhouse, our Vice-Chairperson, passed away. We shall remember with fond gratitude, his leadership and dedication during his many years on the Board and that of its predecessor, the Business Loans and Guarantees Fund.

The year also saw Ms. Alison Barr leave the Board, we thank her for her years of service and wish her well in her new endeavors.

As replacements to the Board, we welcomed Mr. Douglas Doan and Mr. Otto Olah, from the Department of Resources, Wildlife and Economic Development. They are welcome additions, as a temporary measure pending the appointment of replacement Directors from the private sector.

This year saw an increase in the loan portfolio of 17% by number and 14% by volume, representing a total of 99 loans for \$9 million authorized during the year.

Loans to businesses in Level 2 and 3 communities continued to provide the majority of these new loans.

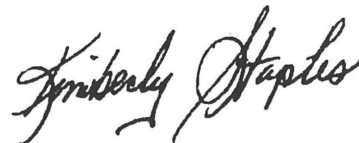
Although loans to smaller Level 1 communities (Fort Smith, Hay River) increased, the number of loans to Yellowknife businesses decreased by over 40%, suggesting that the regular lending institutions are handling more business needs, leaving BCC to fulfill its mandate as a higher risk lender.

Message from the Chairperson

In a move to simplify and streamline delivery of lending throughout the Northwest Territories, the "Access to Capital" study was initiated by the Department. The BCC Board participated in this process, by setting forth a new Vision Report, providing their strategic framework and workplan for creating an effective BCC. The resulting report will provide the framework by which the BCC can continue to provide financing to NWT businesses in cooperation with other agencies, thus providing the best quality service to clients.

As a final note, the Department established the new Sahtu Region and BCC loans in this area were transferred from their former Region of Inuvik. The annual report reflects these changes.

I wish to thank the Board of Directors, the BCC Chief Executive Officer and staff and the Deputy Minister and staff of the Department of Resources, Wildlife and Economic Development, for their support and assistance throughout the year.

A handwritten signature in cursive script, reading "Kimberly Staples".

Kimberly Staples
Chairperson

BCC BOARD OF DIRECTORS 1996/97

MS. KIMBERLY STAPLES	CHAIRPERSON	YELLOWKNIFE
MR. KEITH PETERSON	VICE CHAIRPERSON	CAMBRIDGE BAY
MR. AL WOODHOUSE+	VICE CHAIRPERSON	IQALUIT
MR. MARK KALLUAK	DIRECTOR	ARVIAT
MS. ALISON BARR*	DIRECTOR	RANKIN INLET
MS. FRIEDA MARTSELOS	DIRECTOR	FORT SMITH
MR. JAMES ROSS	DIRECTOR	HAY RIVER
MR. DENNIE LENNIE	DIRECTOR	INUVIK
MR. DOUGLAS DOAN	DIRECTOR	YELLOWKNIFE
MR. OTTO OLAH	DIRECTOR	YELLOWKNIFE

* RESIGNED DURING YEAR

+DECEASED DURING YEAR

INTRODUCTION

The objective of the Business Credit Corporation 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. BCC's 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 Business Credit Corporation.
- 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

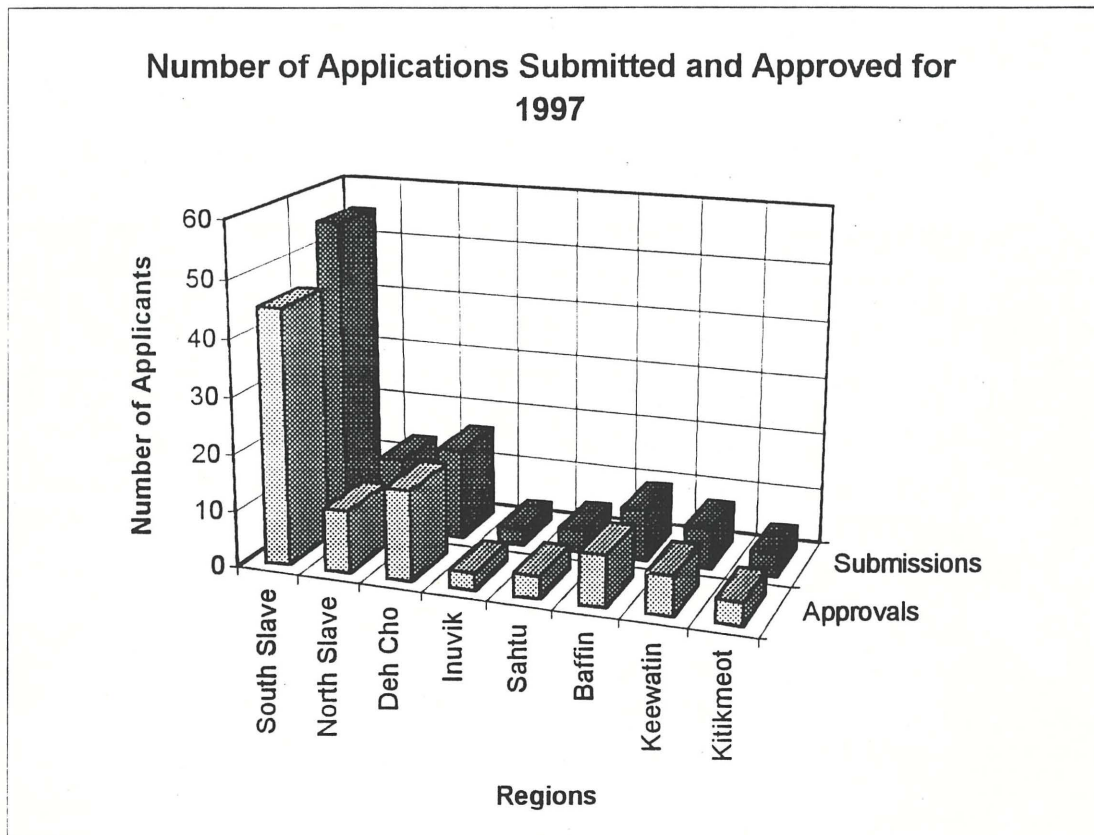
- 1994 - In accordance with the suggestions incorporated in this review, BCC staff is increased to provide a greater degree of independence and increased service to clients.
- Lending authority, to a maximum of \$200,000, is delegated to Regional Superintendents of Department of Economic Development & 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.
- 1997 - BCC now reports to the Minister of the newly amalgamated Department of Resources, Wildlife and Economic Development (RWED).
- Sahtu Regional Office established. Loans to businesses in this area were transferred to Sahtu from the Inuvik Region, who formerly administered this area.
- "Access to Capital" - a review of lending for small business in the North, is commissioned by RWED. This report considers the BCC and local Community Futures organizations to see how they can work together to provide the best service to the public.

LENDING PARAMETERS

- Maximum liability for any one business or group of related businesses - \$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 - two percent (2%) over commercial bank's prime lending rate, set quarterly.

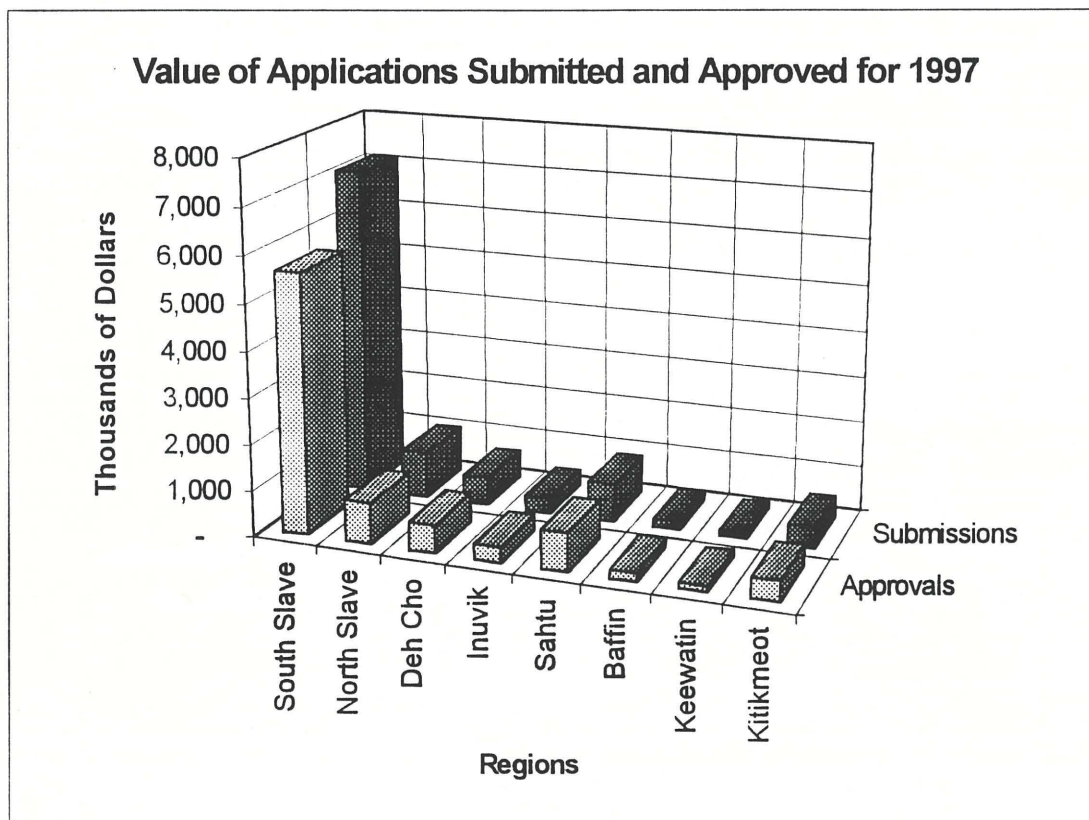
NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY REGION

Region	Number of Applications Submitted		Number of Applications Approved	
	1996	1997	1996	1997
South Slave	19	55	16	45
North Slave	20	13	20	11
Deh Cho	15	16	15	16
Inuvik	4	3	3	3
Sahtu	N/A	4	N/A	4
Baffin	14	9	14	9
Keewatin	7	7	7	7
Kitikmeot	10	4	10	4
Total	89	111	85	99



VALUE OF APPLICATIONS SUBMITTED AND APPROVED BY REGION

Region	Value of Applications Submitted (000s)		Value of Applications Approved (000s)	
	1996	1997	1996	1997
South Slave	\$1,404	\$7,113	\$1,143	\$5,628
North Slave	\$3,469	\$1,002	\$3,469	\$888
Deh Cho	\$1,380	\$607	\$1,380	\$607
Inuvik	\$766	\$333	\$370	\$333
Sahtu	N/A	\$834	N/A	\$834
Baffin	\$774	\$186	\$774	\$186
Keewatin	\$150	\$120	\$150	\$120
Kitikmeot	\$668	\$440	\$668	\$440
Total	\$8,611	\$10,635	\$7,954	\$9,036

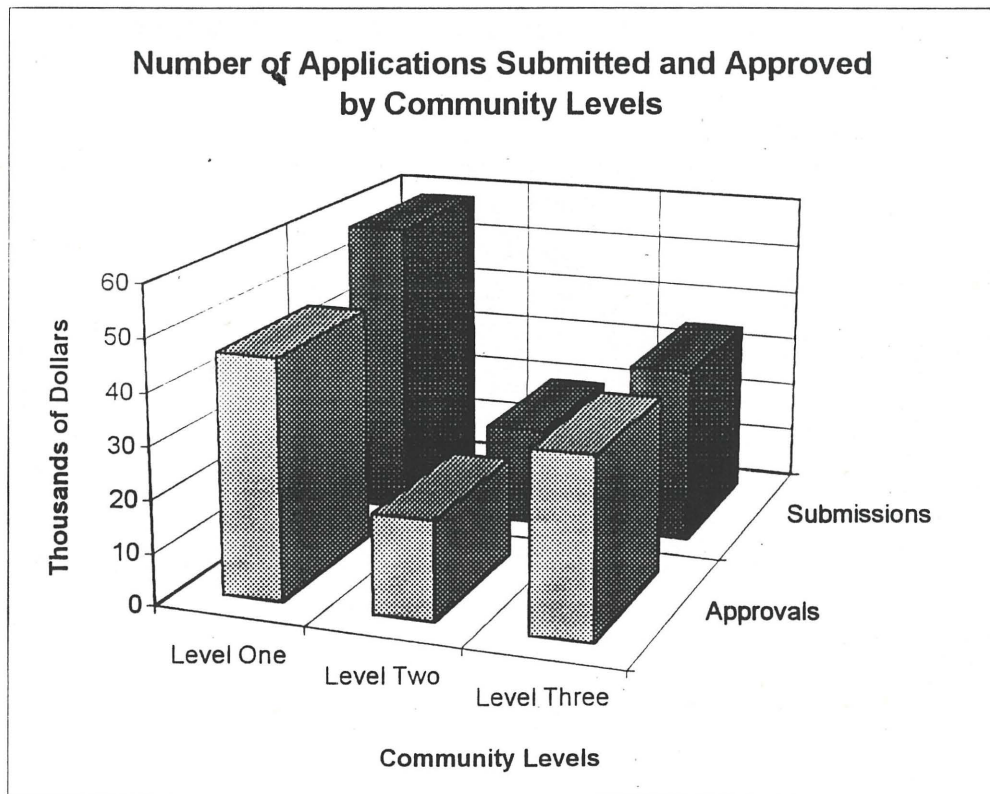


Number of Applications Submitted and Approved by Community Level

	Number of Applications Submitted		Number of Applications Approved	
	1996	1997	1996	1997
Level One	35	58	33	46
Level Two	25	19	24	19
Level Three	29	34	28	34
Total	89	111	85	99

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 Submitted and Approved by Community Level

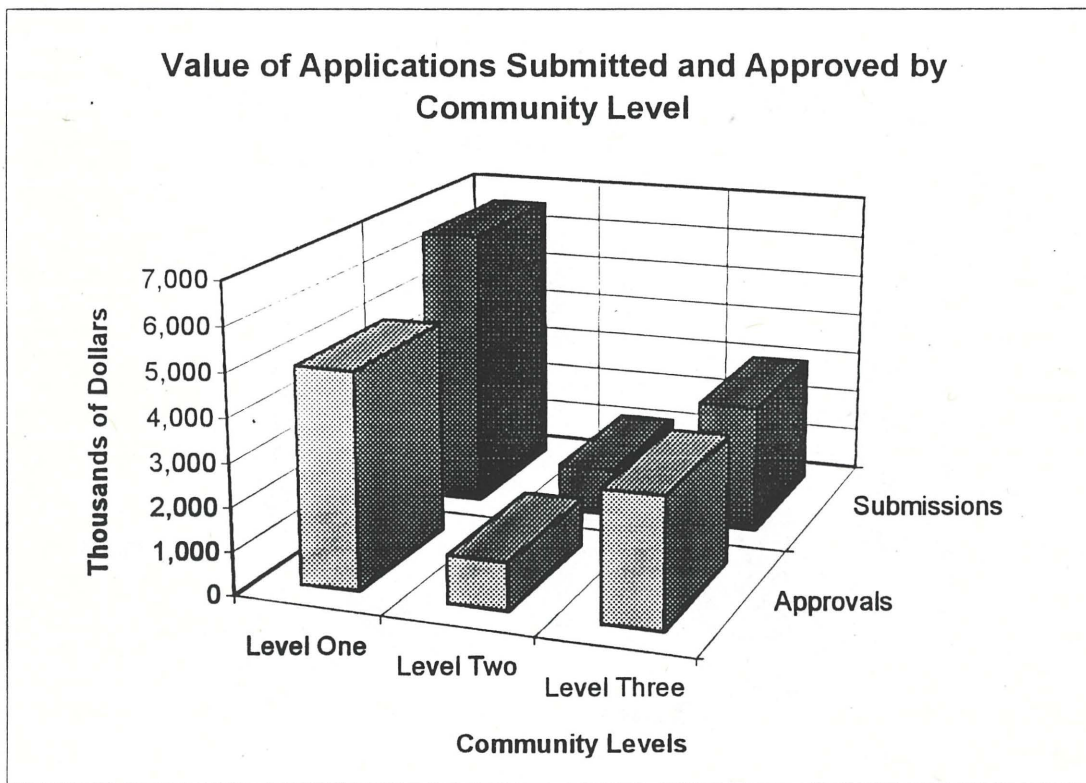
	Value of Applications Submitted (000s)		Value of Applications Approved (000s)	
	1996	1997	1996	1997
Level One	\$4,073	\$6,556	\$3,858	\$4,957
Level Two	\$1,447	\$1,110	\$1,051	\$1,110
Level Three	\$3,091	\$2,969	\$3,045	\$2,969
Total	\$8,611	\$10,635	\$7,954	\$9,036

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



FINANCIAL STATEMENTS

MARCH 31, 1997

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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 Currimbhoy
Chief Executive Officer.

July 4, 1997



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, 1997 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, 1997 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 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.

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

Ottawa, Canada
July 4, 1997

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

**BALANCE SHEET
MARCH 31, 1997
(Thousands of Dollars)**

ASSETS	<u>1997</u>	<u>1996</u>
Cash (Note 3)	\$ 282	\$ 134
Loans Receivable (Note 4)	26,677	23,438
Accrued Interest Receivable (Note 4)	<u>296</u>	<u>265</u>
	26,973	23,703
Less: Allowance for Losses on Impaired Loans (Note 4)	<u>5,069</u>	<u>4,775</u>
	<u>21,904</u>	<u>18,928</u>
Capital Assets (net of accumulated amortization of \$42 (1996: \$28))	<u>12</u>	<u>27</u>
	<u>\$ 22,198</u>	<u>\$ 19,089</u>
 LIABILITIES		
Accounts Payable	\$ 11	\$ 26
Advance from the Government of the Northwest Territories (Note 5)	<u>24,237</u>	<u>21,180</u>
	24,248	21,206
 DEFICIT		
Deficit	<u>(2,050)</u>	<u>(2,117)</u>
	<u>\$ 22,198</u>	<u>\$ 19,089</u>

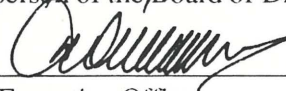
STATUTORY LIMIT (NOTE 5)

CONTINGENT LIABILITIES (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, 1997

(Thousands of Dollars)

LOANS	<u>1997</u>	<u>1996</u>
Interest Revenue on Loans Receivable	\$ 1,861	\$ 1,726
Interest Expense on Advance from the Government of the Northwest Territories (Note 5)	<u>1,238</u>	<u>1,284</u>
Net Interest Revenue	623	442
 (Provision for) Recovery of Losses on Impaired Loans (Note 4)	 <u>(556)</u>	 <u>154</u>
 Net Revenue on Lending Activities	 <u>67</u>	 <u>596</u>
 ADMINISTRATIVE EXPENSES		
Salaries and Benefits	643	601
Computer Services	35	45
Board Meetings	35	65
Professional Fees	25	44
Office	25	53
Communications	15	15
Amortization	<u>14</u>	<u>16</u>
	792	839
 Less: Administrative Contribution - Government of the Northwest Territories	 792	 839
Additional Contribution	<u>-</u>	<u>68</u>
	792	907
 Net Administrative Contribution	 <u>-</u>	 <u>68</u>
 NET INCOME FOR THE YEAR	 67	 664
 DEFICIT AT THE BEGINNING OF THE YEAR	 <u>(2,117)</u>	 <u>(2,781)</u>
 DEFICIT AT THE END OF THE YEAR	 <u>\$ (2,050)</u>	 <u>\$ (2,117)</u>

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, 1997
(Thousands of Dollars)

	1997	1996
OPERATING ACTIVITIES		
Net Income for the Year	\$ 67	\$ 664
Items Not Affecting Treasury Position		
Provision for (Recovery of) Losses on Impaired Loans	556	(154)
Amortization	14	16
	637	526
Increase (Decrease) in Treasury Position		
Accrued Interest Receivable	(31)	26
Accrued Interest Written-off or Forgiven	(16)	(2)
Accounts Payable	(15)	(74)
Cash Generated by Operating Activities	575	476
INVESTING ACTIVITIES		
Loans Receivable Disbursed	(8,123)	(9,297)
Loans Receivable Repaid	4,639	4,681
Purchase of Capital Assets	-	(12)
Cash Used by Investing Activities	(3,484)	(4,628)
DECREASE IN TREASURY POSITION FOR THE YEAR	(2,909)	(4,152)
TREASURY POSITION AT BEGINNING OF THE YEAR	(21,046)	(16,894)
TREASURY POSITION AT END OF THE YEAR	\$ (23,955)	\$ (21,046)
Advance from the Government of the Northwest Territories	\$ (24,237)	\$ (21,180)
Cash	282	134
TREASURY POSITION AT END OF THE YEAR	\$ (23,955)	\$ (21,046)

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

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 administrative expenses and 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 the lower of principal amounts or estimated realizable 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, 1997

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for loan impairment (cont'd)

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 amount. This is the lower of the recorded amount of the loan or the estimated net fair value of the underlying security of the loan. The amount of initial impairment and any subsequent changes resulting from revised net fair 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, established at two percent (2%) of loans receivable, net of the specific provision, 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.

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.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Administrative contribution

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

Direct administrative expenses include salaries and benefits, computer services, cost of board meetings, professional fees, office, communications and amortization of capital assets; and exclude costs of lending activities.

Services provided without charge

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

Pension contributions

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

3. CASH

The Corporation's cash is pooled with the Government's surplus cash that invest in a diversified portfolio of high grade, short-term income producing assets. The cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-2 High or better from the Dominion Bond Rating Service or A-3 or better from the Canadian Bond Rating Service. The Corporation's investment yield as at March 31, 1997 was 3.40% (1996: 5.83%).

Net interest income of \$16,000 (1996: \$19,000) is included in Interest Revenue on Loans Receivable.

4. LOANS RECEIVABLE

Loans and allowance for losses on impaired loans

In 1997, the Sahtu Region was added as a result of the amalgamation of Government Departments.

<u>Region</u>	Range of Annual Interest Rates		Principal or Estimated Realizable Balance	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
			(thousands of dollars)	
Baffin	6.75-11.75%	7.50-11.75%	\$ 1,967	\$ 2,130
Deh Cho	6.75-14.25%	7.50-14.25%	2,121	1,783
Inuvik	6.75-10.75%	7.50-10.75%	983	907
Keewatin	7.50-11.50%	7.50-11.50%	2,555	2,839
Kitikmeot	8.00-10.75%	7.50-10.75%	2,907	2,636
North Slave	7.50-12.00%	7.50-12.00%	8,270	7,479
Sahtu	6.75-10.00%	7.75-10.00%	616	470
South Slave	6.75-10.75%	7.50-13.25%	<u>7,258</u>	<u>5,194</u>
Loans Receivable			26,677	23,438
Accrued Interest Receivable			<u>296</u>	<u>265</u>
			<u>\$ 26,973</u>	<u>\$ 23,703</u>

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

4. LOANS RECEIVABLE (CONT'D)

Loans and allowance for losses on impaired loans (cont'd)

	Principal or Estimated Realizable Balance	
	1997	1996
	(thousands of dollars)	
Less Allowance for Losses on Impaired Loans:		
Specific	\$ 4,627	\$ 4,393
General	442	382
	5,069	4,775
Loans Receivable Net of Allowance for Losses on Impaired Loans	\$ 21,904	\$ 18,928
 Accrued interest receivable		
Current	\$ 137	\$ 109
Arrears	159	156
	\$ 296	\$ 265

Loans receivable and accrued interest include loans of \$6,496,000 (1996: \$5,350,000) that the Corporation has specifically classified as impaired.

In 1997, interest not accrued on impaired loans totalled \$576,000 (1996: \$641,000).

Allowance for losses on impaired loans

Balance at beginning of year	\$ 4,775	\$ 5,240
Less: write-offs	-	72
forgiveness	262	239
	4,513	4,929
 Provision for (Recovery of) losses on impaired loans		
Specific	496	176
General	60	(330)
	556	(154)
 Balance at end of year	\$ 5,069	\$ 4,775

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

4. 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 1997, no loans were approved for write-off by the Board of Directors (1996: four loans totalling \$34,700) or the Legislative Assembly (1996: one loan in the amount of \$34,000). Recoveries on loans written off in previous years totalled \$22,000 (1996: \$54,000).

Forgiveness

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

In 1997, eleven accounts representing six borrowers totalling \$624,000 were forgiven by the Legislative Assembly (1996: ten accounts representing seven borrowers totalling \$161,000). No accounts were forgiven by the Financial Management Board (1996: one loan in the amount of \$425).

5. STATUTORY LIMIT AND 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. Funding is made available through advance from the Government. The balance of the advance fluctuates based on the need of the Corporation, but is not to exceed \$28 million, as approved by the Financial Management Board.

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 advance outstanding at the end of the month, compounded annually.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

6. CONTINGENT LIABILITIES

Three 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 it to call delinquent loans and enforce rights in collateral security of such loans. The total of the proceedings claimed is \$1,227,000 plus costs. The Corporation believes it will be successful in two of the proceedings. The outcome of the third 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>1997</u>	<u>1996</u>
	(thousands of dollars)	
Staff support	\$ 145	\$ 172
Accommodation	47	47
Employee long term benefits	<u>2</u>	<u>4</u>
	<u>\$ 194</u>	<u>\$ 223</u>

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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and accounts payable approximates the carrying amount of these instruments owing to the short period to maturity.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The carrying amounts of loans receivable of \$21,904,000 (1996: \$18,928,000) and advance from the Government of the Northwest Territories of \$24,237,000 (1996: \$21,180,000) approximate fair value. The aggregate fair value of loans receivable should not be interpreted as being realizable in an immediate settlement.

10. COMPARATIVE FIGURES

Certain of the 1996 comparative figures have been reclassified to conform with the presentation adopted in 1997.

LOAN ACCOUNTS APPROVED FOR FORGIVENESS
- By the Legislative Assembly -

Agriborealis Ltd.	\$ 130,157.35
Meni Dene Co-operative Association Limited	82,447.52
Pierrette Allaire o/a Sub Arctic Restaurant	3,241.10
PRJ Mechanical Contractors	40,992.26
Tundra Adventures Ltd.	121,731.29
Valley Hardware & Building Supplies Ltd.	<u>245,622.80</u>
Total	<u>\$ 624,192.32</u>

