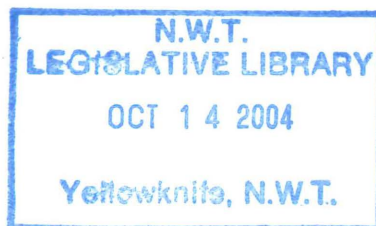
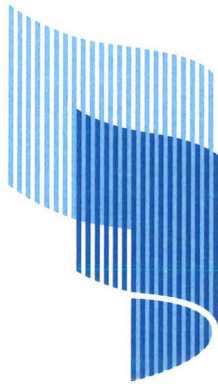


Business Credit Corporation

2004 ANNUAL REPORT



Northwest Territories
Business Credit Corporation





Table of Contents

- I. MESSAGE FROM THE CHAIRPERSON
- II. BOARD OF DIRECTORS
- III. OBJECTIVE
- IV. HISTORICAL HIGHLIGHTS
- V. LENDING PARAMETERS
- VI. COMMUNITY LEVELS
- VII. CREDIT FACILITY PERFORMANCE AND APPROVAL LEVELS
- VIII. ANNUAL STATISTICS
- IX. FINANCIAL STATEMENTS MARCH 31, 2004



I. MESSAGE FROM THE CHAIRPERSON - 2004

THE HONOURABLE BRENDAN BELL
MINISTER
RESOURCES, WILDLIFE AND ECONOMIC DEVELOPMENT

I have pleasure in presenting the Annual Report of the Northwest Territories Business Credit Corporation (BCC) for the fiscal year ending March 31, 2004.

During the year we welcomed you as our new Minister and said farewell to the Honourable. Jim Antoine, to whom we give our thanks for several years of valued support.

I am pleased to advise that the financial results for the fiscal year 2004 showed an increase of 21% in the amount of credit facilities authorized, compared with the previous year. This year a total of 73 credit facilities were authorized for a total of \$14.3 million, compared with 62 credit facilities for a total of \$11.9 million the previous year.

As in previous years, most of the increase in credit facilities was in the smaller communities. Authorizations of credit facilities in level 2 and 3 communities combined, increased by 43% over 2003. In contrast the increase in Level 1 communities was only 11%. These results show that there is an increasing demand for BCC services in the smaller communities, where conventional lending services are not available. Activity in level 1 communities increased mainly in the value of applications, this is reflected in the average size of BCC credit facilities increasing from \$192,000 to \$195,000.

During the year BCC continued to be actively involved in the steady move towards creation of the new lending agency, which is expected to be on stream in fiscal 2006. BCC also continues to work with Community Futures Organizations to foster long lasting good business relationships and expand service to the communities.



I wish to thank the Board of Directors, BCC CEO, 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 black ink that reads "Kimberly Staples".

Kimberly Staples
Chairperson



II. BOARD OF DIRECTORS

<u>Name</u>	<u>Designation</u>	<u>Community</u>
Ms. Kimberly Staples	Chairperson	Yellowknife
Mr. Darrell Beaulieu *	Vice-Chairperson	Yellowknife (Ndilo)
Ms. Alison de Pelham	Director	Fort Simpson
Mr. Michael Maher *	Director	Hay River
Mr. Eddie Dillon	Director	Tuktoyaktuk
Mr. Jackson Lafferty *	Director	Rae-Edzo
Stephen Cuthbert*	Director	Fort Resolution
Ms. Judi Tutcho	Director	Norman Wells

* Directors representing Community Futures Development Corporations (CFDCs)



III. OBJECTIVE

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 businesses and by providing bonds to resident business enterprises. It is responsible for making business 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.



IV. HISTORICAL HIGHLIGHTS

- 1970 The Small Business Loan 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 Loan 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 Loan 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 *Northwest Territories Business Credit Corporation Act (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.



IV. HISTORICAL HIGHLIGHTS (continued)

1993 The BCC is included in a review of Department of Economic Development & Tourism in connection with reorganization of the Department and the BCC.

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.



HISTORICAL HIGHLIGHTS (continued)

- 1997 BCC reports to the Minister of the newly amalgamated Department of Resources, Wildlife and Economic Development (RWED).
- Sahtu Regional Office established. Credit facilities 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.
- 1998 BCC's Fund limit is increased to \$33 million.
- 1999 BCC's Fund limit is increased to \$38 million.
New Directors, representing Community Futures Organizations, are appointed to the Board on March 31, 1999.
- 2000 Loan balances totalling \$7.457 million are transferred to the newly created Nunavut Business Credit Corporation.
- BCC administers Nunavut's loan portfolio under a one year service agreement up to March 31, 2000.
- 2001 Business Program Review Committee undertakes Community consultations regarding the nature and scope of streamlining financial programs in the NWT.
- 2002 *BCC Act* is amended increasing to \$2 million the limit for loans, bonds, guaranteed loans or indemnified bonds to one business enterprise and any related business enterprise.
- 2004 BCC's fund limit is increased to \$45 million.



V. LENDING PARAMETERS

- a) Maximum liability for any one business or group of related businesses - \$2 million;
- b) Maximum amount for any one business loan, bond, guarantee or indemnity - \$2 million;
- c) Maximum loan term – 5 year
- d) Maximum loan amortization - 25 years;
- e) Interest rates of:
 - 1. Two percent p.a. (2%) over commercial bank's prime lending rate, for normal risk loans.
 - 2. Three percent p.a. (3%) over commercial bank's prime lending rate for high-risk loans.

VI. COMMUNITY LEVELS

LEVEL 1 COMMUNITIES - Yellowknife, Hay River, Fort Smith, and Inuvik.

LEVEL 2 COMMUNITIES – Fort Simpson, Norman Wells, and Rae-Edzo.

LEVEL 3 COMMUNITIES – All other communities not listed above.



VII. CREDIT FACILITY PERFORMANCE AND APPROVAL LEVELS

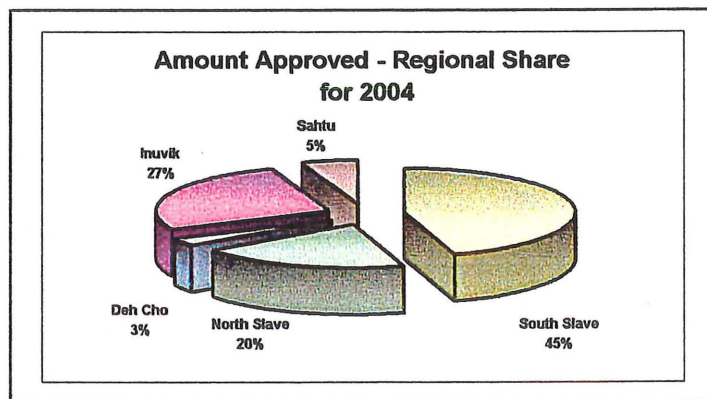
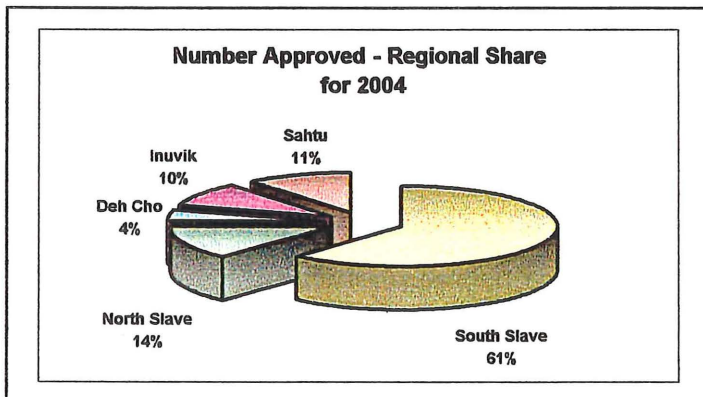
REGION	2004 FISCAL YEAR END VALUES	
	Estimated Target (\$ 000's)	Actual Approved (\$ 000's)
1. South Slave		
Loan to CFDC's	\$100	\$0
Loans to other business enterprises	\$3,000	\$6,461
Contract Security Facility	\$100	\$0
<i>Sub Total</i>	\$3,200	\$6,461
2. North Slave		
Loan to CFDC's - Akaitcho	\$1,000	\$0
- Dogrib	\$0	\$0
Loans to other business enterprises	\$10,000	\$672
Contract Security Facility	\$0	\$2,174
<i>Sub Total</i>	\$11,000	\$2,846
3. Deh Cho		
Loan to CFDC's	\$250	\$0
Loans to other business enterprises	\$1,500	\$422
Contract Security Facility	\$100	\$0
<i>Sub Total</i>	\$1,850	\$ 422
4. Inuvik		
Loan to CFDC's	\$0	\$0
Loans to other business enterprises	\$3,000	\$3,810
Contract Security Facility	\$200	\$0
<i>Sub Total</i>	\$3,200	\$3,810
5. Sahtu		
Loan to CFDC's	\$0	\$0
Loans to other business enterprises	\$1,600	\$647
Contract Security Facility	\$0	\$110
<i>Sub Total</i>	\$1,600	\$ 757
TERRITORIAL TOTAL	\$20,850	\$14,296



VIII. ANNUAL STATISTICS

REGIONAL SUMMARY OF APPROVED CREDIT FACILITIES BY AUTHORITY LEVEL

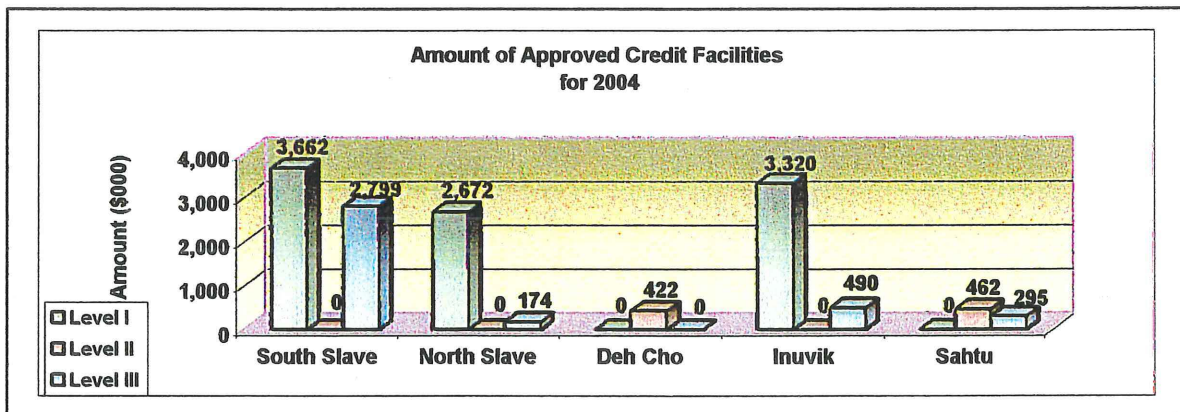
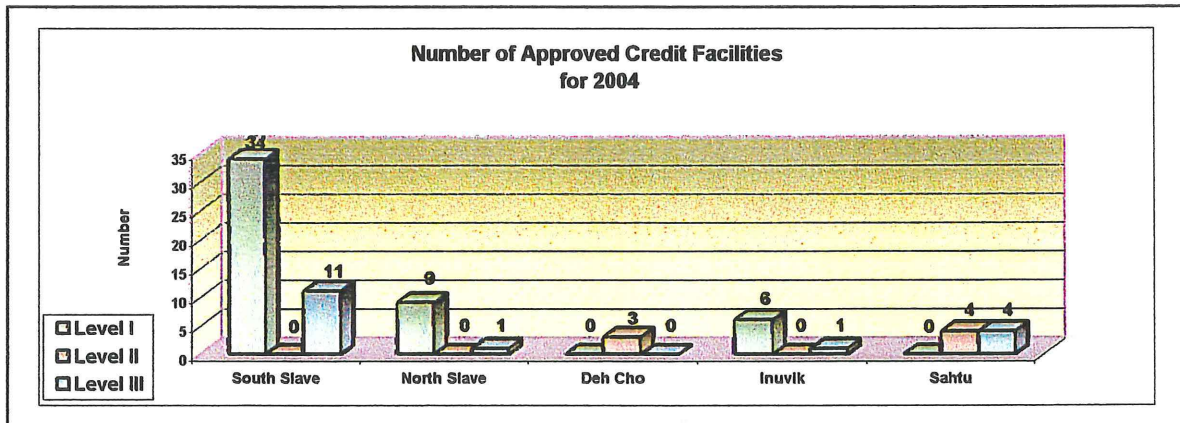
Region	Regional Authority		Board/Minister Authority		Total	
	Number	Amount (\$)	Number	Amount (\$)	Number	Total (\$)
South Slave	37	2,944	8	3,517	45	6,461
North Slave	8	546	2	2,300	10	2,846
Deh Cho	2	199	1	223	3	422
Inuvik	3	289	4	3,521	7	3,810
Sahtu	5	363	3	394	8	757
Total	55	4,341	18	9,955	73	14,296





**REGIONAL SUMMARY OF APPROVED CREDIT FACILITIES
BY COMMUNITY LEVEL**

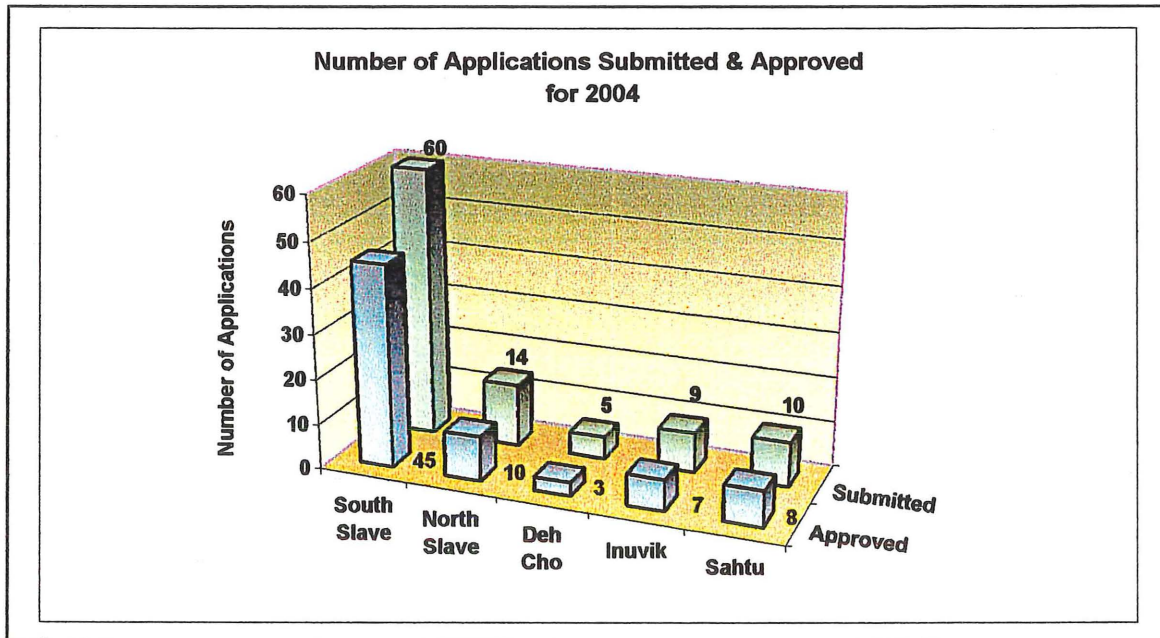
Region	LEVEL I		LEVEL II		LEVEL III		TOTAL	
	Number	Amount (\$)	Number	Amount (\$)	Number	Amount (\$)	Number	Amount (\$)
South Slave	34	3,662	0	0	11	2,799	45	6,461
North Slave	9	2,672	0	0	1	174	10	2,846
Deh Cho	0	0	3	422	0	0	3	422
Inuvik	6	3,320	0	0	1	490	7	3,810
Sahtu	0	0	4	462	4	295	8	757
Total	49	9,654	7	884	17	3,758	73	14,296





**NUMBER OF APPLICATIONS
SUBMITTED & APPROVED
BY REGION**

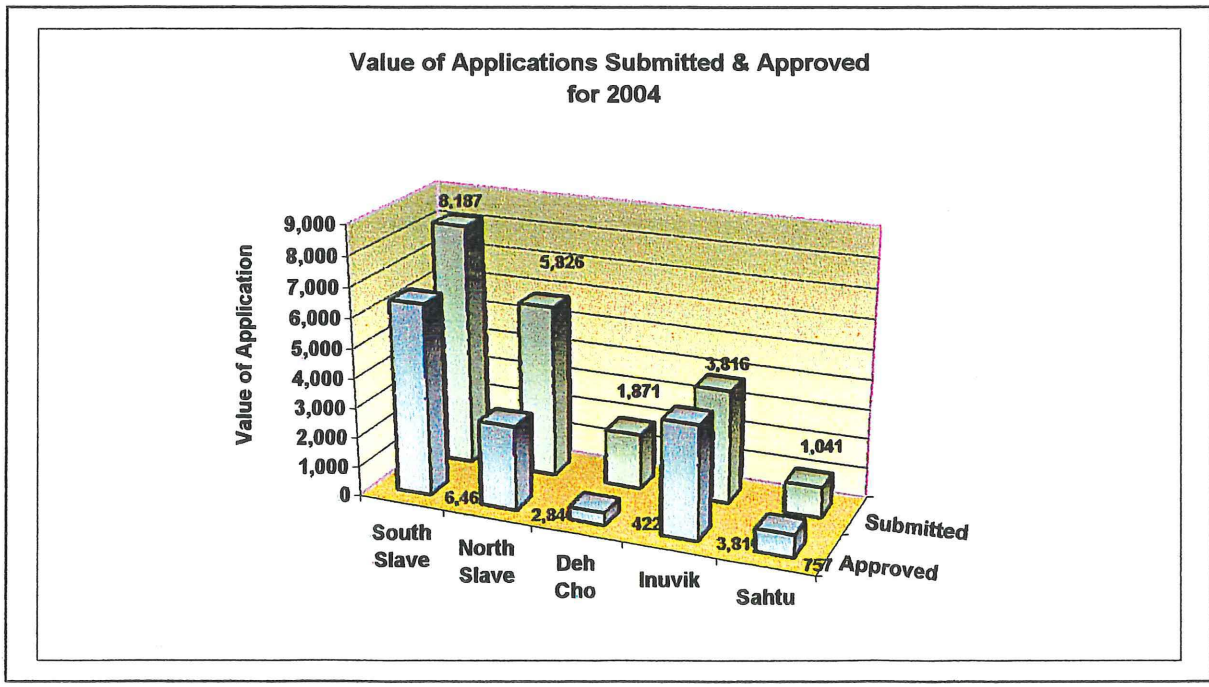
Region	2004	2004	2003	2003
	Submitted	Approved	Submitted	Approved
South Slave	60	45	66	40
North Slave	14	10	14	13
Deh Cho	5	3	1	1
Inuvik	9	7	10	4
Sahtu	10	8	5	4
Total	98	73	96	62





**VALUE OF APPLICATIONS
SUBMITTED & APPROVED
BY REGION
(\$000)**

Region	2004 Submitted	2004 Approved	2003 Submitted	2003 Approved
South Slave	8,187	6,461	9,684	4,077
North Slave	5,826	2,846	6,787	5,337
Deh Cho	1,871	422	50	50
Inuvik	3,816	3,810	5,487	2,090
Sahtu	1,041	757	1,190	380
Total	20,741	14,296	23,198	11,934





NUMBER OF APPLICATIONS SUBMITTED & APPROVED BY COMMUNITY LEVEL

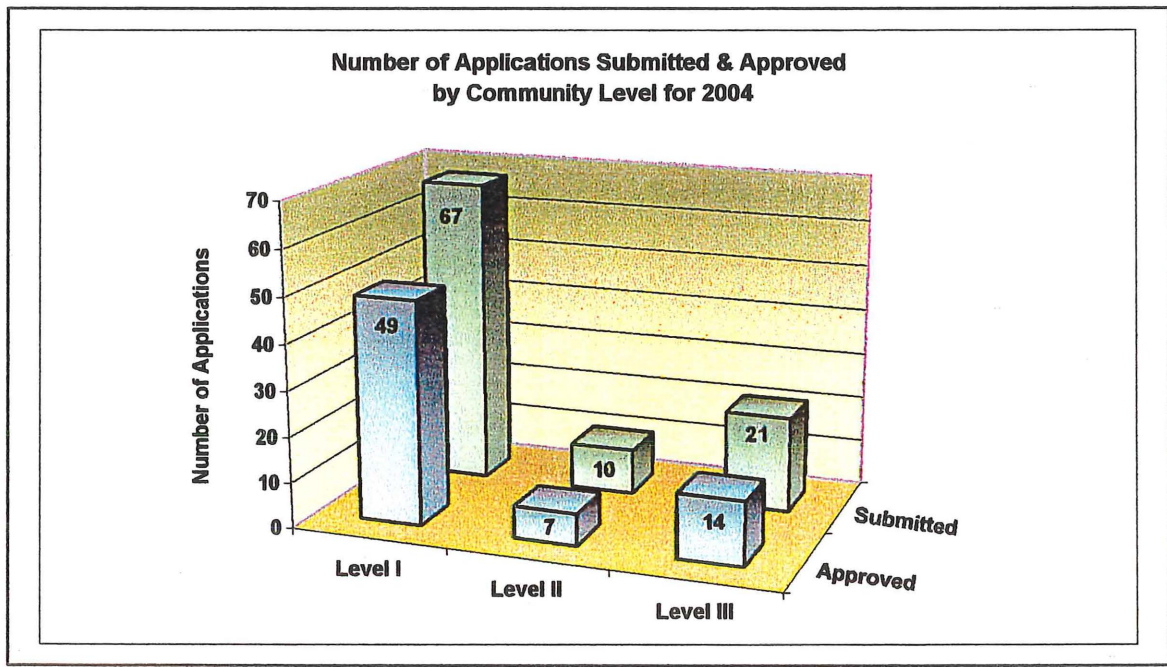
	Submitted 2004	Approved 2004	Submitted 2003	Approved 2003
Level I	67	49	69	46
Level II	10	7	2	2
Level III	21	17	25	14
Total	98	73	96	62

Community Levels

Level I - Yellowknife, Hay River, Fort Smith, Inuvik

Level II - Rae-Edzo, Fort Simpson, Norman Wells

Level III - All other communities not listed above





**VALUE OF APPLICATIONS
SUBMITTED & APPROVED
BY COMMUNITY LEVEL
(\$000's)**

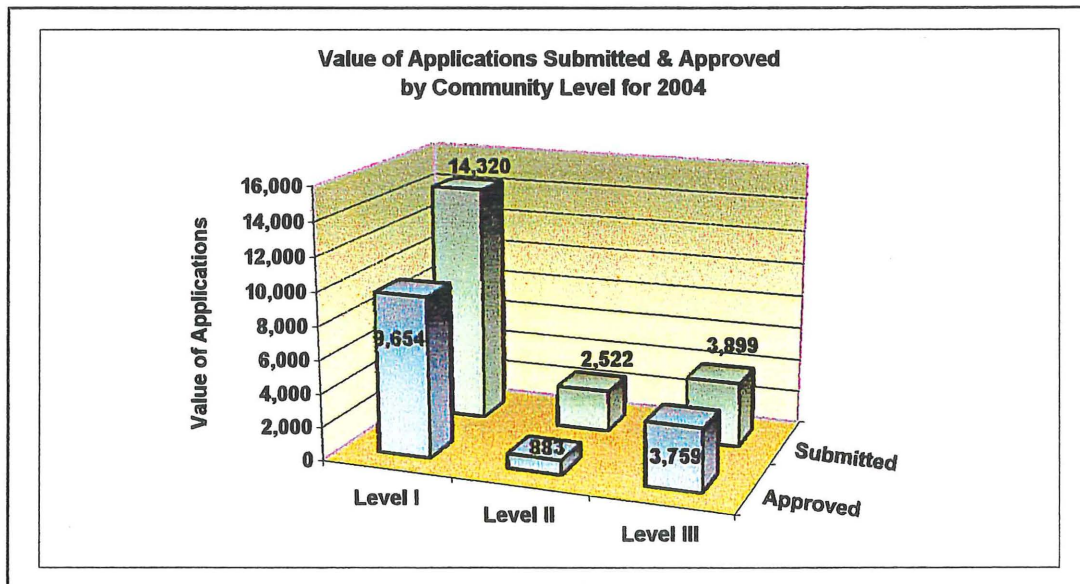
	Submitted 2004	Approved 2004	Submitted 2003	Approved 2003
Level I	14,320	9,654	15,392	8,699
Level II	2,522	884	1,175	350
Level III	3,899	3,758	6,631	2,885
Total	20,741	14,296	23,198	11,934

Community Levels

Level I - Yellowknife, Hay River, Fort Smith, Inuvik

Level II - Rae-Edzo, Fort Simpson, Norman Wells

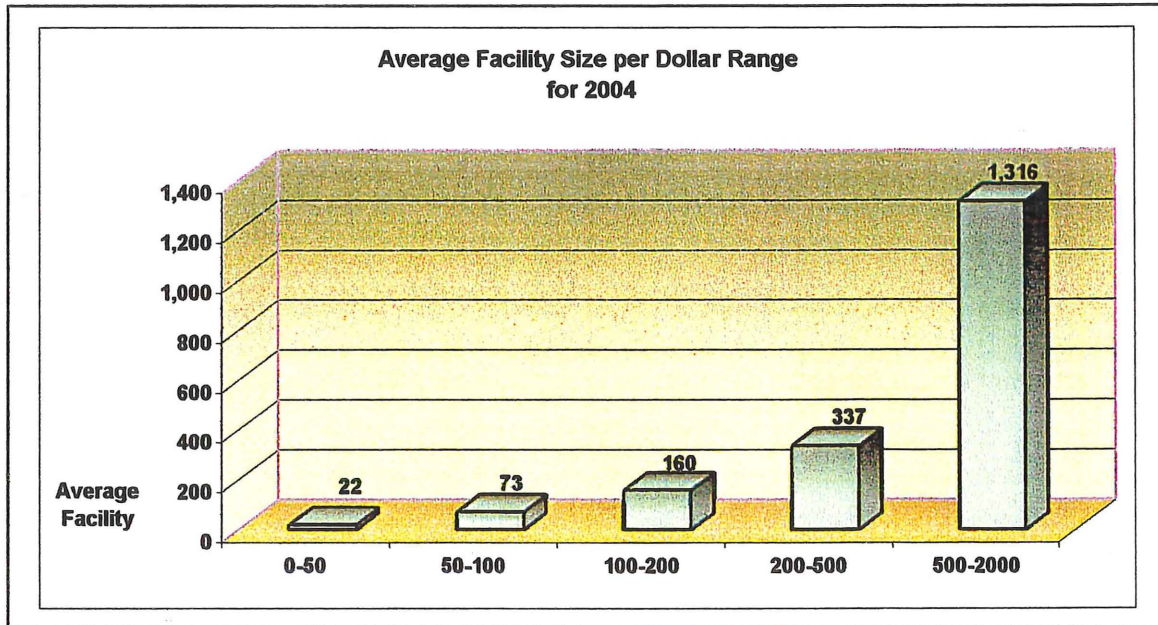
Level III - All other communities not listed above





**RANGE OF TOTAL CREDIT FACILITIES
APPROVED
(\$000'S)**

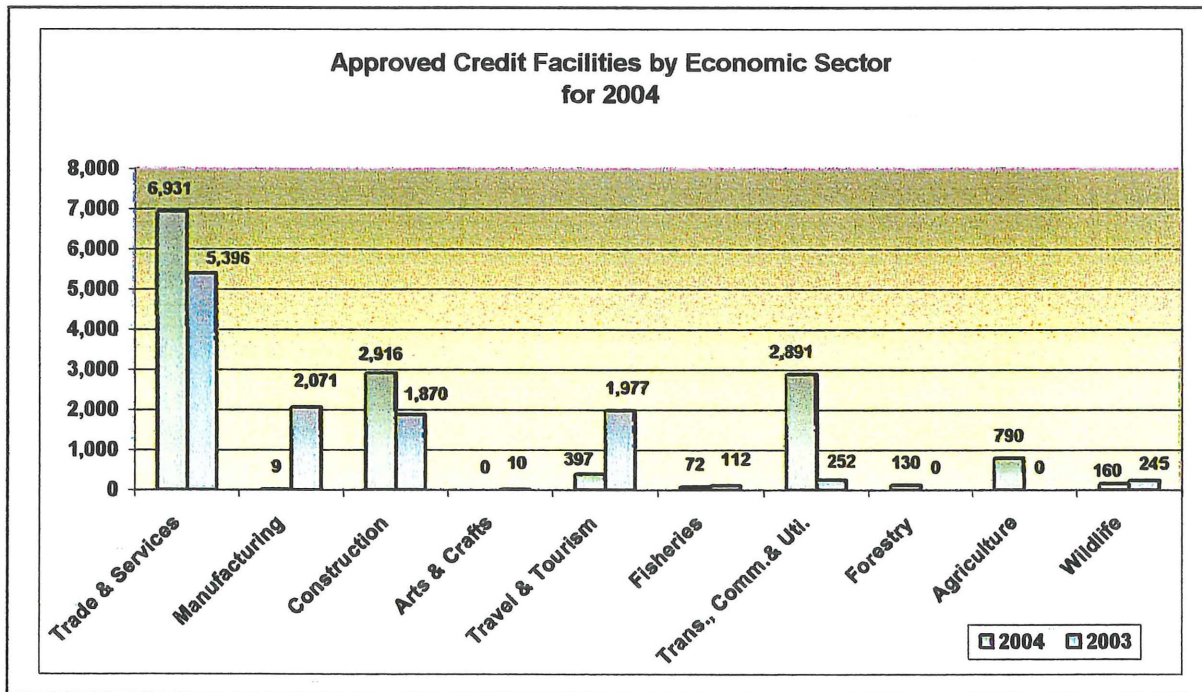
Dollar Range	No.	Amount	Avg. Facility 2004	Avg. Facility 2003
0-50	27	588	22	23
50-100	10	730	73	73
100-200	23	3,700	160	178
200-500	8	2,696	337	309
500-2000	5	6,582	1,316	838
Total	73	14,296	195	192





APPROVED CREDIT FACILITIES
BY ECONOMIC SECTOR
(\$000)

Economic Sector	Totals	Totals
	2004	2003
Trade & Services	6,931	5,396
Manufacturing	9	2,071
Construction	2,916	1,870
Arts & Crafts	0	10
Travel & Tourism	397	1,977
Fisheries	72	112
Transportation, Communication and Utilities	2,891	252
Forestry	130	0
Agriculture	790	0
Wildlife	160	245
Totals	14,296	11,933





LOAN ACCOUNTS FORGIVEN BY THE LEGISLATIVE ASSEMBLY

ACCOUNT	AMOUNT
Ed's Place (Enterprise) Inc.	\$ 229,525.49
964037 N.W.T. Ltd. o/a Ton of Fun Enterprises	209,877.34
Mr. Bruce Domes o/a Domes Contracting	182,231.14
Creative Spirit Ltd.	9,099.88
	\$ 630,733.85

FINANCIAL STATEMENTS

MARCH 31, 2004

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	1
Auditor's Report	2
Balance Sheet	3
Statement of Operations and Deficit	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 15

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

Management's Responsibility for Financial Reporting

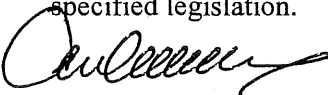
The accompanying financial statements of the Northwest Territories Business Credit Corporation (the Corporation) were prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting policies exist, management has chosen those it deems most appropriate 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, such as the provision for losses on impaired loans and services provided by the Government of the Northwest Territories (the Government) without charge. 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 audit for the purpose of expressing her opinion on the financial statements. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant aspects, in accordance with the specified legislation.


Afzal Currimbhoy,
Chief Executive Officer

June 4, 2004



AUDITOR'S REPORT

To the Minister of the
Northwest Territories Business Credit Corporation

I have audited the balance sheet of the Northwest Territories Business Credit Corporation as at March 31, 2004 and the statements of operations and deficit 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied 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 Part IX of the *Financial Administration Act* and regulations, the *Northwest Territories Business Credit Corporation Act* and regulations and the by-laws of the Corporation.

Roger Simpson, FCA
Principal
for the Auditor General of Canada

Edmonton, Canada
June 4, 2004

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

BALANCE SHEET
MARCH 31

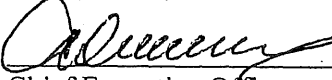
	\$ 000's	
ASSETS	2004	2003
Cash and Cash Equivalents (Note 3)	\$ 218	\$ 43
Loans Receivable (Note 4)	40,534	35,891
Accrued Interest Receivable (Note 4)	188	174
	40,722	36,065
Less: Allowance for Losses on Impaired Loans (Note 5)	8,955	7,370
	31,767	28,695
Capital Assets (net of accumulated amortization of \$93 (2003: \$97))	15	25
	\$ 32,000	\$ 28,763
LIABILITIES		
Deferred Capital Contribution	\$ 15	\$ 25
Advance from the Government (Note 6)	35,578	31,204
	35,593	31,229
DEFICIT		
Deficit	(3,593)	(2,466)
	\$ 32,000	\$ 28,763

CONTINGENT LIABILITIES (NOTE 7)

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

	\$ 000's	
	2004	2003
LENDING ACTIVITIES		
Interest Income on Loans Receivable	\$ 2,139	\$ 1,853
Interest Expense on Advance from the Government (Note 6)	1,050	1,119
Net Interest Income	1,089	734
Provision for Losses on Impaired Loans (Note 5)	2,216	956
Net Loss on Lending Activities	(1,127)	(222)
ADMINISTRATIVE EXPENSES		
Salaries and Benefits	667	624
Office	53	46
Professional Fees	34	23
Board Meetings	15	22
Amortization	13	29
Computer Services	13	2
Communications	12	10
	807	756
Net loss before contribution toward administrative expenses	(1,934)	(978)
Less: Administrative Contribution - the Government (Note 9)	807	756
NET LOSS FOR THE YEAR	(1,127)	(222)
DEFICIT AT THE BEGINNING OF THE YEAR	(2,466)	(2,244)
DEFICIT AT THE END OF THE YEAR	\$ (3,593)	\$ (2,466)

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended March 31

	\$ 000's	
CASH FLOWS FROM OPERATING ACTIVITIES	2004	2003
Interest Received on Loans Receivable	\$ 2,108	\$ 1,875
Interest Repayment of Advance to the Government	(1,386)	(783)
Contribution Received Toward Administrative Expenses	801	722
Administrative Expenses Paid	(801)	(722)
Interest Received on Bank Account	17	12
	739	1,104
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Receivable Repaid	6,587	6,298
Loans Receivable Disbursed	(11,861)	(10,102)
Purchase of Capital Assets	(3)	(15)
	(5,277)	(3,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from the Government	4,847	2,345
Principal Repayment of Advance to the Government	(137)	-
Contribution Received Toward Acquisition of Capital Assets	3	15
	4,713	2,360
NET INCREASE (DECREASE) IN CASH	\$ 175	\$ (355)
Cash and Cash Equivalents at Beginning of the Year	<u>\$ 43</u>	<u>\$ 398</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 218</u>	<u>\$ 43</u>

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

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. AUTHORITY, OBJECTIVE AND OPERATION

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

The Corporation's objective is to stimulate economic development and employment in the Northwest Territories to resident business enterprises, by providing loans, guaranteeing loans made by financial institutions, providing bonds and indemnifying bonding companies which have provided bonds. 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. Its role is a blend of being a last resort lender and a developmental agency for higher risk entrepreneurial ventures.

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

Economic dependency

The Corporation is economically dependent upon the Government's continuing contributions for direct administrative expenses and advances.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with Canadian 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 losses on impaired loans are recorded separately.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Allowance for losses on impaired loans

The allowance for losses on impaired loans 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.

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 as 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, or
- there is a significant decline in the value of the security underlying the loan.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated realizable amount as determined based on management's estimates. This is the lower of the recorded amount of the loan or the net fair market value of the security underlying the loan. The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or credit 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.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

Interest revenue on loans receivable is normally recognized on an accrual basis. The Corporation ceases to accrue interest once a loan is classified as impaired. Payments received on impaired loans are credited to the loan balance and recognized as revenue only when either the loan balance has been repaid or the loan is no longer classified as impaired. Payments received on any previously written off loans are recognized as revenue.

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

Employee future benefits

The Corporation and its employees who are deemed to be employees of the Government, 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.

Under the conditions of employment, employees earn non-pension employment benefits for retirement and severance pay. The costs are accrued as the benefits are earned. Accrued severance benefits are paid upon resignation, retirement or death of employees by the Government.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Some of the more significant estimates made relate to loans and accrued interest receivable, allowance for losses on impaired loans and provision for losses on impaired loans.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

3. CASH AND CASH EQUIVALENTS

The Corporation's cash is pooled with the Government's surplus cash that is invested in a diversified portfolio of high grade, short-term income producing assets. The cash can be withdrawn at any time, and is not restricted by maturity dates on investments made by the Government.

The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments depending on the investment class, are rated R-1 Low or better from the Dominion Bond Rating Service Limited. The Corporation's average investment yield was 2.4% during the year (2003: 2.3%).

Net investment income of \$17,000 (2003: \$12,000) is included in Interest Income on Loans Receivable.

4. LOANS AND ACCRUED INTEREST RECEIVABLE

The Corporation provides loans for periods up to five years and amortization not exceeding twenty-five years at fixed rates based on risk factors including the size of the loan, the security provided and the ability of the client to make scheduled payments.

<u>Region</u>	Range of Annual Interest Rates		\$ 000's	
	2004	2003	2004	2003
Loans Receivable				
Deh Cho	5.75 - 9.25%	5.75 - 9.50%	\$ 2,921	\$ 3,151
Inuvik	6.50 - 9.50%	6.50 - 9.50%	7,012	4,082
North Slave	3.50 - 9.75%	3.50 - 9.75%	13,180	12,993
Sahtu	6.75 - 9.50%	6.75 - 9.50%	2,422	2,769
South Slave	5.75 - 9.50%	5.75 - 9.50%	<u>14,999</u>	<u>12,896</u>
			<u>40,534</u>	<u>35,891</u>
Accrued Interest Receivable				
Current			155	140
Arrears			<u>33</u>	<u>34</u>
			<u>188</u>	<u>174</u>
			<u>\$ 40,722</u>	<u>\$ 36,065</u>

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Loans receivable and accrued interest include \$11,159,000 (2003: \$9,185,000) that the Corporation has specifically classified as impaired. In 2004, interest not accrued on impaired loans totalled \$785,000 (2003: \$800,000).

The value of loans in which the Corporation has title to or foreclosed on totalled \$839,000 (2003: \$770,000). These loans have related allowances for losses totalling \$723,000 (2003: \$625,000). The value of assets in which the Corporation has title to or foreclosed on totalled \$116,000 (2003: \$145,000).

As of March 31, 2004, loans receivable are expected to mature as follows:

<u>Maturity Date</u>	<u>Range of Annual Interest Rates</u>	<u>\$ 000's</u>
Loans past due	6.00 – 8.50%	\$ 9,415
2005	6.75 – 9.50%	2,864
2006	7.00 – 9.50%	3,275
2007	6.25 – 9.75%	3,550
2008	3.50 – 7.75%	9,169
2009 and beyond	6.25 – 9.50%	<u>12,261</u>
		<u>\$ 40,534</u>

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 2004, no accounts were written off by the Legislative Assembly (2003: nil) and no accounts were written off by the Board of Directors (2003: twelve accounts representing eleven borrowers totalling \$56,010).

In 2004, recoveries on loans previously written off totalled \$746 (2003: \$2,067).

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

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 2004, four accounts representing four borrowers totalling \$630,733 were forgiven by the Legislative Assembly (2003: ten accounts representing nine borrowers totalling \$341,176). No accounts were forgiven by the Financial Management Board (2003: nil).

Credit risk

The Corporation's credit risk exposure relating to loans receivable is directly impacted by the borrowers' ability to meet their obligations. This ability is impacted by the borrowers' exposure to fluctuations in the economy of the Northwest Territories.

The Corporation mitigates credit risk by holding no significant concentration with any individual borrower. It is prevented by the Act from lending to any one business enterprise or to a group of related enterprises an amount in excess of \$2 million. Where appropriate, the Corporation takes security for the loans.

Economic sector diversity

The Corporation diversifies its loan portfolio by providing loans to various economic sectors of the Northwest Territories.

	<u>\$ 000's</u>	
	<u>2004</u>	<u>2003</u>
Trade and Services	\$ 22,722	\$ 21,076
Travel and Tourism	5,269	5,195
Transportation, Communication and Utilities	4,382	2,079
Construction	3,706	4,221
Manufacturing	2,799	2,103
Agriculture	623	224
Fisheries	614	589
Wildlife	160	198

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

4. LOANS AND ACCRUED INTEREST RECEIVABLE (CONT'D)

Economic sector diversity (cont'd)

	\$ 000's	
	2004	2003
Arts and Crafts	138	162
Forestry	121	44
	<u>\$ 40,534</u>	<u>\$ 35,891</u>

Impaired loan balances by economic sectors are as follows:

	\$ 000's	
	2004	2003
Trade and Services	\$ 4,428	\$ 4,549
Travel and Tourism	3,217	447
Construction	1,307	1,771
Manufacturing	856	998
Transportation, Communication and Utilities	800	900
Agriculture	224	224
Fisheries	190	136
Arts and Crafts	99	116
Forestry	38	44
	<u>\$ 11,159</u>	<u>\$ 9,185</u>

Fair Value

The carrying value, estimated to be the fair value of the loans, is stated at the lower of principal amounts or estimated realizable amount receivable. The Corporation bases its estimate of the fair value of the loans on analysis of the principal outstanding and the value of any underlying security. As with any estimate, uncertainty is inherent due to the unpredictability of future events. Estimates of fair values are based on market conditions at a certain point of time, and may not be reflective of the actual values that could be realized upon settlement.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

5. ALLOWANCE FOR LOSSES ON IMPAIRED LOANS

	\$ 000's	
	2004	2003
Specific Allowance for Losses on Impaired Loans:		
Balance at beginning of year	\$ 6,788	\$ 6,286
Provision for the year	<u>2,154</u>	<u>899</u>
	<u>8,942</u>	<u>7,185</u>
Less: write-offs	-	56
forgiveness	<u>631</u>	<u>341</u>
	<u>631</u>	<u>397</u>
Balance at end of year	<u>8,311</u>	<u>6,788</u>
General Allowance for Losses on Impaired Loans:		
Balance at beginning of year	582	525
Provision for the year	<u>62</u>	<u>57</u>
Balance at end of year	<u>644</u>	<u>582</u>
Allowance for Losses on Impaired Loans	<u>\$ 8,955</u>	<u>\$ 7,370</u>

6. ADVANCE FROM THE GOVERNMENT OF THE NORTHWEST TERRITORIES

The Act authorizes the Corporation to borrow for the purpose of lending, up to \$50 million from the Government through an advance. Increases to the outstanding balance of the advance must be approved by the Financial Management Board based on the need of the Corporation. The balance was not to exceed \$45 million as at March 31, 2004 (2003: \$38 million).

Interest on the advance is based on the rate set at the last week of each month of the Government of Canada 3-year bonds, compounded annually. The rate varied from 2.7% to 3.8% during the year (2003: 3.5% to 4.3%).

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

The carrying amount of the advance from the Government of the Northwest Territories of \$35,578,000 (2003: \$31,204,000) approximates fair value.

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

7. CONTINGENT LIABILITIES

The Corporation is named as defendant in one proceeding and as co-defendant in a second proceeding. Both proceedings are related to steps taken by the Corporation to call and enforce its rights involving the collateral security of loans. An estimate of the contingent loss arising from these actions, if any, cannot be reasonably determined at this time. Liability arising from these proceedings, if any, will be reflected as an expense when determined.

8. PUBLIC SERVICE SUPERANNUATION PLAN

Under the Public Service Superannuation Plan, the expense for the Corporation's share of contribution totalled \$68,000 (2003: \$59,000) at a rate of 2.14 times the employee's contribution. The contributions from the Corporation and its employees represent the total pension obligation of the Corporation and are recognized in the accounts on a current basis.

9. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed, 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.

Administrative contribution

Under the terms of administrative agreements between the Corporation and the Government, direct administrative expenses of the Corporation are fully funded by the Government. Accrued expenses such as amortization and the annual leave are recorded as charges against the contribution in the year they are incurred.

Services provided without charge

The Corporation does not record the value of other capital assets or services provided by the Government without charge in these financial statements. Services provided by the Government include accounting support, regional and human resource services as well as office accommodation and some capital assets. The values of such services are estimated as follow:

NORTHWEST TERRITORIES BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

9. RELATED PARTY TRANSACTIONS (CONT'D)

Services provided without charge (cont'd)

	<u>\$ 000's</u>	
	<u>2004</u>	<u>2003</u>
Staff support	\$ 623	\$ 540
Accommodation	48	48
Employee future long term benefits	<u>14</u>	<u>7</u>
	<u>\$ 685</u>	<u>\$ 595</u>

Cumulative employee future long term benefits accrued at March 31, 2004 is \$106,000 (2003: \$92,000).

Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

