NUNAVUT BUSINESS
CREDIT CORPORATION

ANNUAL REPORT

NUNAVUT BUSINESS
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CREDIT CORPORATION
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"Lender of Northern Opportunity"

2017
2018


DANGER

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MESSAGE FROM THE
CHAIRPERSON

On behalf of the Board of Directors of the Nunavut Business Credit Corporation (NBCC), it is our pleasure to present the Annual Report for 2017/2018.

My fellow Board Members and I are proud of the progress that the organization continues to make.

NBCC's portfolio decreased this year due to seven credit facilities being paid out in full. Most of these clients have "graduated" to the next level of financing, as these clients were able to obtain financing from major Canadian chartered banks. Our congratulations go to these clients and we wish them continued success.

NBCC continues to support businesses in all three regions and our staff continue to be actively engaged in providing on-going advice and assisting business owners in all aspects of their operations. We succeed when our clients succeed.

The Corporation for the third consecutive year pursued its community outreach initiative with funding from the Government of Canada's Department of Indigenous and Northern Affairs Canada. Three communities in the Kivalliq region were visited.

NBCC attended the three Regional Trade Shows, the Nunavut Mining Symposium, and Northern Lights. At a number of these events, NBCC also made presentations.

The Corporation has again enhanced its annual statutory reporting, by including in this year's annual report the disclosure of recipients who have received funding from NBCC in accordance with the Minister's letter of expectation.

Both staff and Board members participated in professional development opportunities throughout the year, which included courses leading to a Certificate in Accounting and the 13th Crown Corporate Governance conference.

I, along with my fellow Board members, would like to thank the former Minister of Economic Development and Transportation, the Honorable Monica Ell-Kanayuk, for her ongoing support and the opportunity to work together collaboratively throughout the 4th Assembly.

On behalf of the Board of Directors, we wish to express our sincere condolences to the family of Elijah Evaluarjuk, who passed away during the year. Elijah was active on many Boards and in his community of Igloolik. He was well-respected and will be missed.

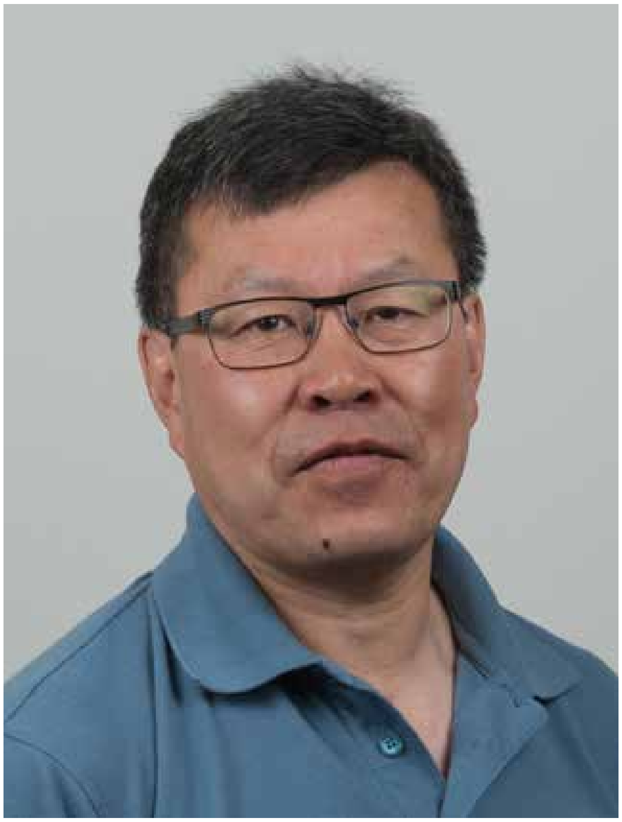
Respectfully,

Marg Epp
Chairperson

MESSAGE FROM THE

CHIEF EXECUTIVE OFFICER

We are optimistic, in our 2018 – 2021 business plan, about the prospects for Nunavut's economy. This is because traditional sectors, such the mining sector, according to the Conference Board of Canada will advance 23.7% due to planned production increases and the opening of TMAC Gold's Hope Bay mine.



The Corporation remains optimistic that new technologies, alternative energy, and research activity will bring different business opportunities to Nunavut. An example is one of our clients, Arctic UAV Inc., who is in the unmanned aerodrome vehicle (UAV) business.

Through collaborative efforts with our clients during the last several years, our specific loss provision for this year is only marginally higher. We expect to complete the wind-up of several clients in 2018/2019.

Our team continues to support our clients in any manner possible. We were able again to visit a number of clients this year in their communities and gain a better understanding of the challenges and opportunities that they are facing.

The Corporation is a participant in the development of the Department of Finance's Financial Administration Manual for public agencies. The Board has already approved the early adoption of this important financial management tool once it is completed.

In addition, to ensure that Inuktut reading individuals have equal access to the Corporation's materials, the Corporation is also engaged in the Inuit Uqausigninnik Taiguusiliuqtiit's financial terminology project.

Our clients are positive about the outlook for our territory and as noted earlier, the Corporation is optimistic about 2018/2019.

As such, the Corporation, once again, looks forward to another productive year.

Yours truly,

Peter Ma, CPA, CA
Chief Executive Officer

Bobby Dialla was the winner of the Corporation's draw prize at the 2017 Nunavut Trade Show.

MANDATE AND MISSION

THE MANDATE OF NUNAVUT BUSINESS CREDIT CORPORATION (NBCC) IS TO:

- Function as an agent of the Government of Nunavut (GN) to stimulate economic development and employment in Nunavut by supporting, financing, and investing in resident business enterprises. NBCC does not offer grants or forgivable credit facilities and cannot make equity investments.
- As a lender of northern opportunity, NBCC provides financing alternatives to small and medium business enterprises in Nunavut for whom access to credit represents a real challenge to growing their businesses. The majority of NBCC's clients are established businesses looking to expand or better establish themselves in their markets. NBCC also accepts applications for new businesses.
- Working one on one with its clients, NBCC through its due diligence process gives careful consideration to each application to ensure that the merits of proposed business ventures are evaluated. The Corporation then provides financing for those projects that offer the best opportunities for success.

NBCC'S MISSION IS TO:

- Stimulate employment and economic development throughout Nunavut. NBCC provides businesses with financing if they are unable to obtain loans from other financial institutions on reasonable terms and conditions.
- As a business development agency, NBCC recognizes that access to adequate capital is one of the many challenges faced by northern businesses in their attempts to take advantage of economic opportunities.
- As an agent of the Government of Nunavut, NBCC strives to contribute to the government's mandate, *Turaaqtavut*.

CORPORATE GOVERNANCE

TERRITORIAL CORPORATION

- NBCC is a territorial corporation of the Government of Nunavut. NBCC came into existence on April 1, 1999 by virtue of section 29 of the *Nunavut Act* (Canada). The *Nunavut Business Credit Corporation Act* defines its legal and operational structure and its Regulations guide key aspects of its operations.
- NBCC reports formally to the Minister responsible for Nunavut Business Credit Corporation. Historically, the Minister of Economic Development and Transportation is also the Minister responsible for Nunavut Business Credit Corporation.
- NBCC, like other territorial corporations, is subject to Part IX of the *Financial Administration Act.*

BOARD OF DIRECTORS

- Corporate policy and oversight is set by NBCC's Board of Directors (Board).
- The Commissioner-in-Executive Council appoints members of the Board on the recommendation of the Minister responsible for Nunavut Business Credit Corporation. The Minister responsible for Nunavut Business Credit Corporation bases his recommendation on solicitations of his Executive Council colleagues, other Members of the Legislative Assembly, and the general public.
- Members of the Board have been chosen to reflect a cross-section of relevant backgrounds and representation across the territory with at least two members from each of the Kitikmeot, Kivalliq, and Qikiqtaaluk regions.
- In the interests of transparency, accountability, and potential conflicts of interest (perceived and actual), Board members may not hold a NBCC credit facility and no member may work for the Department of Economic Development and Transportation.

Our Board








BOARD MEMBERS

NAME OF MEMBER	POSITION	COMMUNITY	CURRENT TERM EXPIRES
Marg Epp	Chairperson	Cambridge Bay	July 7, 2019
Tracy Wallace	Vice-Chairperson	Rankin Inlet	July 6, 2019
Al Lahure	Director at Large	Baker Lake	August 30, 2020
Tommy Owlijoot	Director at Large	Arviat	May 31, 2018
Greg Cayen	Director at Large	Iqaluit	May 31, 2018
Donald Havioyak	Director at Large	Kugluktuk	July 7, 2019
Nastania Mullin	Director at Large	Iqaluit	September 7, 2020
Philip Okutol	Director at Large	Iqaluit	September 7, 2020

Subsequent to year-end, Monica Ell-Kanayuk was appointed to the Board and later resigned. Mr. Owlijoot and Mr. Cayen were also re-appointed for terms of three years.

Together, the Board members represent a breadth of complementary skills and knowledge in business development, industry sectors, lending practices, and Canada's North. All Board members reside in Nunavut and have a depth of knowledge in at least one of the three territorial regions.

Although situated in Nunavut's capital, NBCC has a mandate that extends across the territory. It is therefore important to have strong northern representation on the Board as NBCC sets out to achieve its mandate to benefit Nunavummiut.

Board committees have been established to provide oversight and guidance to address key aspects of NBCC's operations and activities. Each committee has Terms of Reference, which have been approved by the Board to guide its activities and priorities. Committee members are selected from the Board as a whole, depending upon their experience and interests.

STATUTORY REPORTING

Ministerial Directive(s)

Section 78(7) of the *Financial Administration Act* (Nunavut) requires NBCC to report any Ministerial directives issued or in place during the fiscal year.

There were no Ministerial directives in place during 2017/2018.

Recommendations by Board of Directors to Minister of Credit Facilities

- Section 30 (1) of the *Nunavut Business Credit Corporation Act* requires the Board to recommend to the Minister that any credit facilities greater than $500,000 be either approved or rejected.
- Section 30 (2) of the *Nunavut Business Credit Corporation Act* requires the Minister to either approve or reject the credit facilities recommended under Section 30 (1) by the Board.
- In 2017/2018, the Board submitted fifteen (2017 – ten) recommendations to the Minister for new, amended, and renewed credit facilities in the amount of $7,439,483 (2017 – $6,710,459), all of which were approved by the Minister.

Credit Facilities approved or rejected by Board of Directors

- Section 30 (3) of the *Nunavut Business Credit Corporation Act* requires the Board to either approve or reject any credit facilities equal to or less than $500,000.
  In 2017/2018, the Board did not approve any (2017 – one) new credit facilities (2017 - $360,000). The Board approved two (2017 – one) existing term loans for renewal. The Board approved three existing lines of credit for renewal (2017 – one). The Board did not approve the conversion of any existing lines of credit to term loans (2017 – three). There were no increases to (2017 – one) credit facilities (2017 – $300,000) and no (2017 – nil) credit facilities were rejected.

Reviews by the Minister of Credit Facilities under Section 30 (3) (b)

Because there were no credit facilities rejected under Section 30 (3) in 2017/2018 by the Board, there were no applications to the Minister for a review.

STAFF

NBCC has six permanent positions, all of whom are based at its location in Iqaluit. The positions are:

- Chief Executive Officer
- Senior Advisor, Business Services
- Accounts Manager
- Compliance Officer (2)
- Administrative Assistant

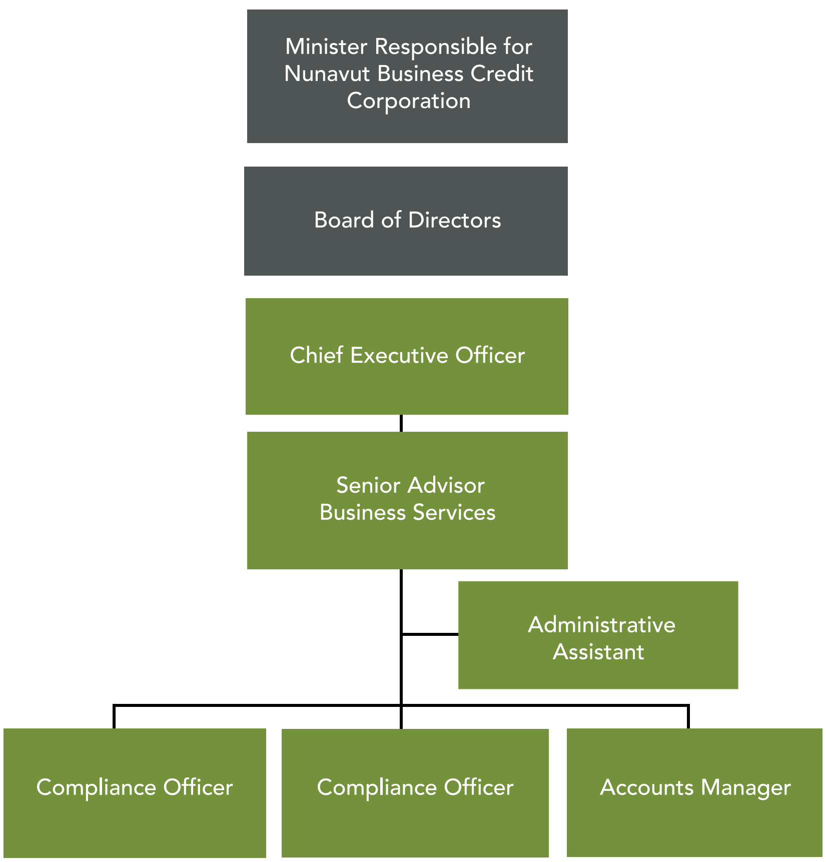
As at March 31, 2018, only the Administrative Assistant position was vacant. Both Compliance Officers are beneficiaries, both of whom also do some financial accounting.

Providing professional development opportunities to its staff is a priority to ensuring NBCC's success and staff retention. In 2017/2018, staff:

- Took courses leading to a Certificate in Accounting
- Took a course from the Credit Institute of Canada

CORPORATE ACCOUNTABILITY CHART

The Corporation's reporting relationships are shown in the following organization chart:



Note: All positions are located at NBCC's headquarters in Iqaluit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW

The Corporation's number of performing clients decreased to 34 (2017 – 39), which was primarily due to six credit facilities being paid out. There are 13 (2017 – 12) non-performing clients, some of whom pre-date the creation of Nunavut.

Through funding from the Government of Canada, the Corporation continued its community outreach program and provided capacity development to community officials on debt financing, governance, and administration in three communities – Chesterfield Inlet, Baker Lake, and Whale Cove.

The Corporation increased its specific allowance by $259,521 (2017 – $143,339). The general allowance was decreased by $27,722 (2017 – increase of $7,037).

LOOKING AHEAD

The liquidation of assets of three non-performing clients, which commenced in prior years, will be concluded in 2018/2019. This leaves one non-performing client, which the Corporation will work collaboratively with to liquidate assets.

Through its relationship with its sister corporation, Nunavut Development Corporation, and Memoranda of Understanding with Kitikmeot Community Futures Inc., Baffin Business Development Corporation, and Atuqtuarvik Corporation, the Corporation will continue to pursue new clients in a collaborative manner.

The Corporation is optimistic about Nunavut's economy and continues to be encouraged by positive developments in the mining sector. Growth for Nunavut, as in 2017/2018, will need to be driven by new sectors, such as technology, alternative energy, research, and tourism.

Traditional sectors, such as construction, will likely grow because of an increase in construction projects.

KEY HIGHLIGHTS 2017/2018

- Enhanced annual reporting, which includes the disclosure of clients receiving funding
- Completion of the audited financial statements and annual report within statutory deadlines
- Continuation of community outreach efforts in three communities
- Continuation of professional development opportunities for staff
- Continuation of Board training
- Sponsorship and attendance at the following:
  - Nunavut Mining Symposium, including being a presenter
  - Nunavut Trade Show, including being a presenter
  - Kivalliq Trade Show, including being a presenter at the Youth Entrepreneur Program mini-workshops
  - Northern Lights, including presenting at an information session
  - Kitikmeot Trade Show
- Presenter at the Carrefour Nunavut annual general meeting
- Presenter at the Kitikmeot Community Economic Development Officers Conference
- Presenter at the Qikiqtaaaluk Community Economic Development Officers Conference
- Presenter at the Kivalliq Community Economic Development Officers Conference
- Member of the Department of Finance's Public Agency Council Working Group on Financial Administration Manual for public agencies
- Participant in the Inuit Uqausinginnik Taiguusiliuqtiit financial terminology project

SUMMARY OF

FINANCIAL RESULTS

CURRENT YEAR'S RESULTS

The Corporation posted a surplus of $39,527 (2017 – $333,268) for the year ended March 31, 2018. The accumulated deficit as at March 31, 2018 totaled $1,256,405 (2017 – $1,295,932).

REVENUES

NBCC underperformed its 2017/2018 budget estimate for revenues by $86,519 (2017 - $379,130).

REVENUES	2018 BUDGET	2018 ACTUAL
Interest income on loans receivables	$1,200,000	$1,072,681
Other interest income	30,000	70,800
Total revenues	**$1,230,000**	**$1,143,481**

There was no significant change in revenues from 2016/2017 ($1,170,870).

CONTRIBUTIONS

CONTRIBUTIONS	2018 BUDGET	2018 ACTUAL
Government of Nunavut – Core Funding	$860,000	$859,547
Government of Canada – Professional Development Program	0	21,789
Total Contributions	**$860,000**	**$881,336**

NBCC outperformed its 2017/2018 budget estimate for contributions by $21,336 (2017 – $89,238).

OPERATING EXPENSES

NBCC outperformed its 2017/2018 budget estimate for operating expenses by $232,937 (2017 – $197,709), exclusive of allowance for losses on loans and interest expense on advance from Government of Nunavut.

OPERATING EXPENSES	2018 BUDGET	2018 ACTUAL
Salaries and benefits	$1,000,000	$775,947
Professional fees	130,000	119,196
Facilities expenses	100,000	92,036
Office expenses	75,000	27,815
Board meetings	50,000	49,264
Travel	100,000	67,905
Advertising and promotion	60,000	86,129
Board honoraria	35,000	38,575
Other items, not listed	80,000	140,196
Total operating expenses	**$1,630,000**	**$1,397,063**

The Corporation continues to operate in the most appropriate cost-efficient manner.

INTEREST EXPENSE ON ADVANCE FROM GOVERNMENT OF NUNAVUT

Interest expense on advance from Government of Nunavut increased to $356,428 from $174,173, due to an increase in interest rates in the Government of Canada Benchmark Bond Yields – 3 year.

INTEREST EXPENSE	2018 BUDGET	2018 ACTUAL
Interest expense on advance from Government of Nunavut	**$150,000**	**$356,428**

ALLOWANCE FOR LOSSES ON LOANS

NBCC overperformed its 2017/2018 budget estimate for allowance for losses on loans by $18,201 (2017 – $99,624).

ALLOWANCES FOR LOSSES ON LOANS	2018 BUDGET	2018 ACTUAL
Allowances for losses on loans	**$250,000**	**$231,799**

The allowance for losses on loans is based upon a review of all client credit facilities. The provision represents management's best estimate of probable credit losses based upon historical experience. The total allowance for 2017/2018, which includes both of the general and specific provisions is $3,760,810 (2017 – $3,529,011), which is an $231,799 increase (2017 – $150,376) over the previous year.

SPECIFIC ALLOWANCE

Management reviews the portfolio on a regular basis to determine if any credit facilities should be classified as impaired. In 2017/2018, specific provisions were provided on three (2017 – four) credit facilities in the amount of $292,001 (2017 – $679,754). The specific provision on one credit facility was reduced by $32,480 (2017 – $536,415) as the recovery value of the security held was greater than anticipated.

The Corporation's overall specific allowance was $3,417,018 (2017 – $3,157,497) at year-end, which is an increase of 8.2% (2017 – 4.8%) from 2016/2017.

A total of thirteen (2017 – twelve) credit facilities have specific provisions, which is 24.5% (2017 – 21%) of the total credit facilities of 53 (2017 – 57). These thirteen credit facilities encompass six (2017 – six) different communities. The Corporation currently has credit facilities in ten (2017 – eleven) different communities.

GENERAL ALLOWANCE

A general allowance is calculated each year to provide for possible impairments within the overall credit facility portfolio after taking into account specific allowances. The general allowance is calculated as the total loans receivable, less the specific allowance at the end of the fiscal year, less any payout of loan balances after year end and is multiplied by 2%.

The general allowance for 2017/2018 is $343,792 (2017 – $371,514), which is a decrease of $27,722 or 7.5% (2017 – increase of $7,037; 1.9%) from 2016/2017.

WRITE-OFFS

Under the provisions of the *Financial Administration Act*, the outstanding principal and interest on a credit facility can be approved for write-off by the Corporation's Board of Directors if the total outstanding on a credit facility is $20,000 or less; or by the Legislative Assembly of Nunavut if the total outstanding on a credit facility is over $20,000. A credit facility written-off is still subject to collection action.

There have been no credit facility write-offs during the year.

CONTRACTING, PROCUREMENT, AND LEASING ACTIVITIES

PROCUREMENT AND LEASING ACTIVITIES

There were no procurement or leasing activities in 2017/2018. The Corporation's offices in the Parnaivik Building in Iqaluit are leased through the Department of Community and Government Services. The facility expense for 2017/2018 was $92,036 (2017 – $92,036).

The majority of the Corporation's expenditures that are subject to contracting and procurement activity are professional services. Professional services include information technology services, legal services, and communications services.

The total amounts of contracts issued to vendors were as follows:

COMMUNITY	VENDOR	TYPE OF SERVICE	AWARD METHOD	2018 ACTUAL	2017 ACTUAL	INUIT OWNED FIRM	NNI
Iqaluit	Dubuc Osland	Legal	Sole Source	$ 30,009	$ 17,431		
Iqaluit	Secure North IT Solutions Inc.	Information technology	Sole Source	54,694	58,433		
Iqaluit	Outcrop Nunavut	Communication	Standing Offer Agreement	11,779	35,499		
Iqaluit	Katittut	Communication	Standing Offer Agreement	21,840	4,702		
Iqaluit	Business Development Bank of Canada	Consulting	Sole Source	13,500	1,500		
Iqaluit	Innirvik Support Services Ltd.	Translation	Sole Source	0	1,663	●	●
Iqaluit	Common Goals Software	Training	Sole Source	4,855	7,950		
Iqaluit	Ilinniapaa Campus	Training	Sole Source	0	4,620		
Iqaluit	Parenty Reitmeier, Inc.	Translation	Sole Source	7,750	0		
Iqaluit	Festival Promotions	Promotional products	Sole source	2,225	0		
Iqaluit	Pegatrix Promotions	Promotional products	Sole source	3,065	0		
Iqaluit	4imprint	Promotional products	Sole source	5,594	0		
Totals				**$155,311**	**$131,798**		

Loan Portfolio

PORTFOLIO ACTIVITY

The Corporation continually seeks opportunities to add to its portfolio. Through community outreach, possible opportunities continue to be examined, particularly, in non-decentralized communities.

The number of credit facilities decreased to 53 from 57, while the number of clients decreased to 47 from 51. This was because of clients paying out their credit facilities, some of whom obtained credit facilities with major chartered banks.

A total of two (2017 – three) new lines of credit were approved in the amount of $600,000 (2017 – $3,000,000). At year-end, $136,005 (2017 – $2,550,000) had been drawn upon.

One (2017 – one) existing lines of credit was increased by $50,000 (2017 – $300,000) at renewal. Eight (2017 – eight) other lines of credit were renewed totaling $4,550,000 (2017 – $3,502,000). Four (2017 – one) lines of credit totaling $2,198,098 (2017 – $75,155) were paid out.

A standby letter of credit in the amount of $300,000 (2017 – nil) was approved for one client (2017 – nil), of which no amount had been drawn upon at year-end.

There was one (2017 – one) new term loan approved in 2017/2018 in the amount of $650,000 (2017 – $360,000). There was one (2017 – nil) client that had an increase to its term loan approved in the amount of $345,000. Four (2017 – six) term loans totaling $1,516,328 ($1,140,076) were renewed. Two (2017 – three) existing lines of credit totaling $750,000 (2017 – $360,000) were also converted into term loans. Three (2017 – five) term loans totaling $546,335 (2017 – $869,316) were paid out in full during the year.

PORTFOLIO RISK MANAGEMENT

To minimize risk in its portfolio, the Corporation diversifies its credit facilities by community and by industry sector. Information in this regard is provided in the tables that follow.

In addition, because the Corporation can only legislatively lend to a maximum of $1,000,000 to any one business enterprise or group of related enterprises, it employs risk management to individual clients in terms of credit facility amounts. Within individual clients, the Corporation secures its credit facilities with clients' assets.

DISBURSEMENTS OF CREDIT FACILITIES

The Minister's 2017/2018 annual letter of expectation stated, "it is my expectation that the NBCC will adopt the practice of disclosing the identities of recipients of loans and other financial assistance in its annual reports for future years". The following new credit facilities had cash advances in 2017/2018.

NAME OF CLIENT
Nuna Link Ltd.
Big Racks Inc.

To see the Minister's 2017/2018 annual letter of expectation, please go to: http://assembly.nu.ca/sites/default/files/TD-336-4(3)-EN-2017-2018-Letters-of-Expectation-for-Territorial-Corporations.pdf.

To see the Corporation's response, please go to: http://assembly.nu.ca/sites/default/files/TD-368-4(3)-EN-Letter-of-Expectation-to-NBCC-2017.pdf.


NUNAVUT BUSINESS
CREDIT CORPORATION
"Lender of Northern Opportunity"
HELPING BUILD A SOLID FOUNDATION FOR YOUR BUSINESS SUCCESS
NOUS AIDONS VOTRE ENTREPRISE À SE CONSTUIRE DES FONDATIONS SOLIDES GARANTES DE VOTRE SUCCÈS
IKAYUQTUT

PORTFOLIO ACTIVITY BY COMMUNITY

The Corporation has the ability and mandate to provide credit facilities to every community in Nunavut. At year-end, the Corporation had outstanding credit facilities in ten of Nunavut's twenty-five communities, which is one less than the previous fiscal year. In the previous fiscal year, the Corporation had an outstanding credit facility in Gjoa Haven, which has since been paid in full.

The ten communities with outstanding credit facilities are Cambridge Bay and Kugluktuk in the Kitikmeot region; Arviat, Coral Harbour, and Rankin Inlet in the Kivalliq region; and Clyde River, Qikiqtarjuaq, Pangnirtung, Iqaluit, and Cape Dorset in the Qikiqtaaluk region.

The table below provides information on the type and amount (principal only) of the credit facilities in each community.

REGION	2017/2018				2016/2017			
Community	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Qikiqtaaluk								
Cape Dorset	2	1	1,101,563	5.1	3	1	1,020,923	4.1
Clyde River	2	-	1,142,716	5.3	2	-	1,171,276	4.7
Iqaluit	23	8	12,030,220	55.5	22	9	12,909,220	51.9
Pangnirtung	1	-	139,593	0.6	1	-	139,593	0.6
Qikiqtarjuaq	1	-	254,574	1.2	1	-	294,959	1.2
Qikiqtaaluk – Total	29	9	14,668,666	67.7	29	10	15,535,971	62.5
Kivalliq								
Arviat	2	-	750,571	3.5	2	-	750,571	3.0
Coral Harbour	2	-	997,841	4.6	2	-	1,009,786	4.0
Rankin Inlet	3	-	1,212,670	5.6	3	1	2,982,116	12.0
Kivalliq – Total	7	-	2,961,082	13.7	7	1	4,742,473	19.0
Kitikmeot								
Cambridge Bay	4	2	2,458,057	11.4	4	2	2,496,627	10.0
Gjoa Haven	-	-	-	-	1	-	437,811	1.8
Kugluktuk	2	-	1,558,262	7.2	2	1	1,666,165	6.7
Kitikmeot – Total	6	2	4,016,319	18.6	7	3	4,600,603	18.5
Total Loan Portfolio	**42**	**11**	**21,646,067**	**100.0**	**43**	**14**	**24,879,047**	**100.0**

ARCTIC UAV INC.

Arctic UAV Inc., an Iqaluit based aerial imaging provider uses unmanned air vehicles to provide services to its clients. Arctic UAV Inc. uses locally trained and certified UAV operators to fly small, medium, and large remotely piloted aircraft systems. The company is 100% Inuit owned and is Transport Canada licensed. Arctic UAV Inc. was established in 2016.

PORTFOLIO ACTIVITY BY INDUSTRY

The Corporation as part of its portfolio risk management strategy diversifies its credit facilities by industry.

At year-end, the Corporation's credit facilities (principal only) by industry sector, is identified in the table below.

INDUSTRY	2017/2018				2016/2017			
	Term Loans	Lines of Credit	Total Amount	% of Portfolio	Term Loans	Lines of Credit	Total Amount	% of Portfolio
Performing Loans								
Construction	5	6	5,384,179	24.9	7	7	6,803,351	27.4
Fisheries	1	-	254,574	1.2	1	-	294,959	1.2
Hospitality	6	-	2,405,565	11.1	8	-	2,837,190	11.4
Real Estate	3	-	1,411,755	6.5	3	2	3,102,122	12.5
Retail	4	1	2,082,337	9.6	4	2	2,195,852	8.8
Service	9	3	4,781,143	22.1	7	2	4,111,975	16.5
Transportation	1	1	773,040	3.6	1	1	792,609	3.2
Total – Performing	29	11	17,092,593	79.0	31	14	20,138,058	81.0
Non-Performing	13	-	4,553,474	21.0	12	-	4,740,989	19.0
Total Loan Portfolio	**42**	**11**	**21,646,067**	**100.0**	**43**	**14**	**24,879,047**	**100.0**

LENDING REQUIREMENTS

Generally, Canadian chartered banks, but particularly in Nunavut, do not provide credit facilities for start-up businesses or businesses without a history of successful operation.

This has changed recently in Nunavut due to the entrance of Atuqtuarvik Corporation and First Nations Bank of Canada, which is 17.66% owned by Atuqtuarvik Corporation. Nunavut Tunngavik Incorporated is the sole shareholder of Atuqtuarvik Corporation and is the signatory to the Nunavut Agreement.

The Corporation can provide credit facilities as follows:

- Loans to business enterprises;
- Guarantee loans made by financial institutions to business enterprises;
- Provide bonds to resident business enterprises; and
- Indemnify bonds provided by bonding companies to resident business enterprises

to a maximum of $1,000,000 to any one business enterprise or to any related business enterprises.

With respect to loans, the Corporation provides lines of credit and term loans.

- Lines of credit must be renewed annually.
- For term loans, the maximum term available is five years while the amortization period can be as long as twenty-five years.

Interest rates are set at the cost of borrowing plus a risk adjustment factor that can range from 0% to 5%.

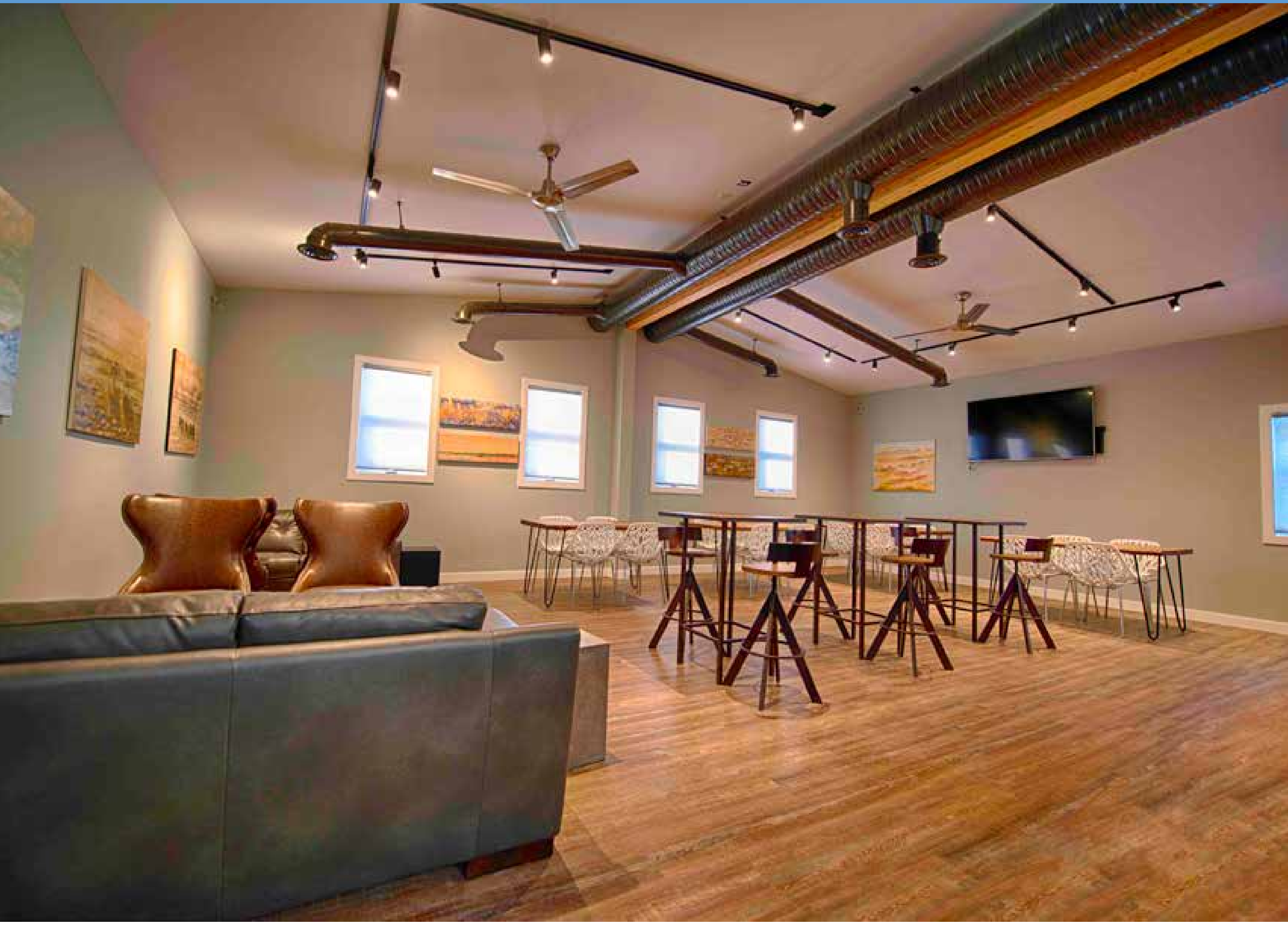
- The cost of borrowing is the rate that the Government of Nunavut charges the Corporation for its working capital loan.
- The interest rate that the Corporation charges its clients is the interest rate in effect on the first day of the quarter in which the Corporation's Board of Directors approved the credit facility plus the applicable risk adjustment factor.

CHOU CONSULTING & DEVELOPMENT INC.

CHOU Consulting & Development Inc. (CHOU) was established in 2013 and operates a number of business lines in Cambridge Bay.

The company leases commercial space and operates The Ublu Inn, which provides executive suite accommodations for both short and long-term stays.

Over the past 3 years, CHOU has designed, developed and constructed residential and commercial properties for resale. In addition, CHOU also provides consulting and procurement services.



NUNAVUT BUSINESS CREDIT CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Nunavut Business Credit Corporation (the Corporation) and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements in accordance with Canadian public sector accounting standards (PSAS). The financial statements include amounts, such as the allowance for losses on loans and the provision for employee future benefits, which are based on management's best estimates and judgment.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices which are designed to provide reasonable assurance that transactions are authorized and recorded, assets are safeguarded and controlled, and proper records are maintained. These controls and practices are intended to ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information, and adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The external auditors have full and free access to the Board of Directors.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing his report thereon.

Peter Ma, CPA, CA
Chief Executive Officer

June 12, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for Nunavut Business Credit Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Nunavut Business Credit Corporation, which comprise the statement of financial position as at 31 March 2018, and the statement of operations and accumulated deficit, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nunavut Business Credit Corporation as at 31 March 2018, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards 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 Nunavut Business Credit Corporation and the financial statements are in agreement therewith. In addition, the transactions of the Nunavut Business Credit 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* of Nunavut and regulations, the *Nunavut Business Credit Corporation Act* and regulations, and the by-laws of the Nunavut Business Credit Corporation.

Michael B. Robichaud, CPA, CA
Principal
for the Auditor General of Canada

12 June 2018
Ottawa, Canada

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Financial Position

as at March 31

		2018		**2017**
Financial assets				
Cash (Note 3)	$	6,179,051	$	2,908,070
Accounts receivable		45,402		28,458
Due from Government of Nunavut		69,779		62,472
Loans receivable (Note 4 and Note 5)		18,180,219		21,675,908
Total financial assets	$	24,474,451	$	24,674,908
Liabilities				
Accounts payable and accrued liabilities (Note 7)	$	395,554	$	884,387
Post-employment benefit liabilities (Note 8)		34,892		36,906
Due to Government of Nunavut (Note 9)		25,356,428		25,174,173
Total liabilities	$	25,786,874	$	26,095,466
Net debt		(1,312,423)		(1,420,558)
Non-financial assets				
Tangible capital assets (Schedule A)	$	29,191	$	112,354
Prepaid expenses		26,827		12,272
Total non-financial assets	$	56,018	$	124,626
Accumulated deficit	$	(1,256,405)	$	(1,295,932)

Contractual obligations (Note 11)

Contractual rights (Note 12)

The accompanying notes and schedules are an integral part of these financial statements.

Approved by the Board:

Marg Epp

Chairperson of the Board

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Operations and Accumulated Deficit

for the year ended March 31

	2018 Budget (Note 14)	2018 Actual	2017 Actual
Revenues			
Interest income on loans receivable	$ 1,200,000	$ 1,072,681	$ 1,138,308
Other interest income (Note 3)	30,000	70,800	32,562
Total revenues	$ 1,230,000	$ 1,143,481	$ 1,170,870
Expenses			
Salaries and benefits	$ 1,000,000	$ 775,947	$ 828,246
Interest expense on advance from Government of Nunavut (Note 9)	150,000	356,428	174,173
Allowance for loses on loans (Note 5)	250,000	231,799	150,376
Professional fees	130,000	119,196	121,698
Facilities expense	100,000	92,036	92,036
Advertising and promotion	60,000	86,129	66,072
Travel	100,000	67,905	191,605
Loss on disposal of fixed assets	-	61,904	4,890
Board meetings	50,000	49,264	47,831
Training and development	50,000	45,964	23,264
Board honoraria	35,000	38,575	21,925
Amortization	20,000	30,772	17,203
Office expense	75,000	27,815	36,945
Other expenses	10,000	1,556	576
Total expenses	$ 2,030,000	$ 1,985,290	$ 1,776,840
Deficit for the year before Government contributions	$ (800,000)	$ (841,809)	$ (605,970)
Contribution from Government of Nunavut			
Core Funding (Note 13)	$ 860,000	$ 859,547	$ 872,739
Specialized Training Fund (Schedule B)	-	-	(1,709)
Total contribution from Government of Nunavut	$ 860,000	$ 859,547	$ 871,030
Contribution from Government of Canada			
Professional and Institutional Development Program (Schedule C)	$ -	$ 21,789	$ 68,208
Total contribution from Government of Canada	$ -	$ 21,789	$ 68,208
Surplus for the year	$ 60,000	$39,527	$333,268
Accumulated deficit - beginning of the year	$ (1,295,932)	$ (1,295,932)	$ (1,629,200)
Accumulated deficit - end of the year	$ (1,235,932)	$ (1,256,405)	$ (1,295,932)

The accompanying notes and schedules are an integral part of these financial statements.

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Change in Net Debt

for the year ended March 31

		2018 Budget (Note 14)		2018 Actual		2017 Actual
Surplus for the year	$	60,000	$	39,527	$	333,268
Tangible capital assets (Schedule A)						
Additions	$	-		(9,513)	$	(107,656)
Amortization		20,000		30,772		17,203
Loss on disposal of fixed assets		-		61,904		4,890
	$	20,000		$83,163	$	(85,563)
Net additions to prepaid expenses		-		(14,555)		(7,020)
Change in net debt		$80,000		108,135		$240,685
Net debt - beginning of the year		(1,420,558)		(1,420,558)		(1,661,243)
Net debt - end of the year	$	(1,340,558)	$	(1,312,423)	$	(1,420,558)

The accompanying notes and schedules are an integral part of these financial statements.

NUNAVUT BUSINESS CREDIT CORPORATION

Statement of Cash Flow

for the year ended March 31

		2018		**2017**
Cash provided by/(used for) operating activities				
Interest on loans receivable	$	1,006,754	$	1,095,916
Government of Nunavut contributions		700,000		700,182
Government of Canada contributions		-		72,195
GST rebate		27,913		20,758
Suppliers		(422,092)		(609,909)
Interest payments on Government of Nunavut advance		(174,173)		(132,299)
Interest received on current bank account		63,493		33,472
Cash paid to Government of Nunavut		(1,289,392)		(433,301)
Cash provided by/(used for) operating activities	$	(87,497)	$	747,014
Cash used for capital activities				
Tangible capital asset acquisitions	$	-	$	(107,656)
Cash (used for) capital activities	$	-	$	(107,656)
Cash provided by/(used for) investing activities				
Repayment of loans receivable	$	4,910,213	$	2,583,037
Fee payments received		129,207		3,753
Disbursements of loans receivable		(1,680,942)		(6,415,262)
Cash provided by/(used for) investing activities	$	3,358,478	$	(3,828,472)
Increase/(decrease) in cash		3,270,981		(3,189,114)
Cash - beginning of the year	$	2,908,070	$	6,097,184
Cash - end of the year	$	6,179,051	$	2,908,070

The accompanying notes and schedules are an integral part of these financial statements.

1. The Corporation

(a) Authority

The Nunavut Business Credit Corporation (the Corporation) is a territorial corporation wholly owned by the Government of Nunavut (the Government). The Corporation came into existence on April 1, 1999 by virtue of section 29 of the *Nunavut Act*. The *Nunavut Business Credit Corporation Act* (Act) defines the legal and operational structure. The Corporation functions under the auspices of the Government's Department of Economic Development and Transportation (the Department) and is subject to Part IX of the *Financial Administration Act* of Nunavut.

(b) Mandate

The mandate of the Corporation is to function as an "arms-length" territorial corporation to stimulate economic development and employment in Nunavut through the loan program by supporting, financing, and investing in resident business enterprises. The Corporation's role is a blend of being a lender of northern opportunity and a developmental agency for Nunavut businesses. The Corporation does not offer any grants, concessionary loans, or forgivable loans and cannot make equity investments. As such, the Corporation only has one program.

(c) Government contributions and advances

The Corporation is economically dependent on the Government's continuing contributions for its direct administrative expenses. The Contribution Agreement with the Department specifies a fixed contribution for the year.

Section 47 of the Act also authorizes the Government to advance to the Corporation an amount out of the Consolidated Revenue Fund not exceeding $50 million for the purposes of providing financial assistance to business enterprises. The Financial Management Board has set the working capital advance limit at $40 million. These advances are repayable to the Government on such terms and conditions as the Minister of Finance may determine.

(d) Taxes

The Corporation is non-taxable under the *Income Tax Act* (Canada).

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board (PSAB). The following is a summary of the significant accounting policies.

(a) Cash

Cash is comprised of bank account balances, net of outstanding cheques, and trust advances. Surplus cash earns interest income based on the Government's bank interest rate.

(b) Accounts receivable

Accounts receivable are valued at the lower of cost or net recoverable value. Valuation allowances, if necessary, are recorded based on all circumstances that existed at the financial statement date that were known at the date these financial statements are prepared, including past events.

2. Significant accounting policies (continued)

(c) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis using the following rates:

Computers and office equipment	30%
Office furniture and fixtures	20%

Tangible capital assets are amortized starting the month after they are purchased.

(d) Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, and expenses reported in the financial statements. By their nature, these estimates and assumptions are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. The most significant management estimate is the allowance for losses on loans. A variation in the quality of the loan portfolio or economic conditions under which these estimates are made could result in significant changes in these management estimates.

(e) Financial instruments

Financial instruments are identified by financial asset and financial liability classifications. The Corporation's financial instruments are initially recorded at fair value and subsequently measured at cost or amortized cost using the effective interest rate method.

The following is a list of the Corporation's financial instruments and their related measurement basis as at March 31, 2018.

Financial Assets	**Measurement Basis**
Cash	Cost
Accounts receivable	Cost
Loans receivable	Amortized cost
Due from Government of Nunavut	Cost
Loan charges receivable	Cost
Financial Liabilities	**Measurement Basis**
Accounts payable and accrued liabilities	Cost
Due to Government of Nunavut	Cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Statement of Operations and Accumulated Deficit.

(f) Interest income on loans receivable

Interest income on loans receivable is recognized on an accrual basis. All payments received on regular loans are applied against the outstanding balance for other charges, interest, and principal, in that order.

2. Significant accounting policies (continued)

(g) Loans receivable

A loan is classified as impaired when, upon an analysis of all considerations, it is determined that there has been a deterioration in the credit quality of the loan such that, in the opinion of management, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Such considerations may include the following and are assessed in conjunction with other contributing and mitigating factors that may exist with respect to a specific loan:

1. Principal or interest is six months past due unless the loan is fully secured or collection efforts are reasonably expected to result in repayment of the loan;
2. Principal or interest is twelve months past due regardless of whether the loan is well secured or not;
3. Principal or interest is three months past due, if the loan has been previously restructured; or
4. The security of the credit facility is compromised.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net realizable amount. The estimated net realizable amount is the discounted expected future cash flows at the effective interest rate of the loan. Where the amount and timing of future cash flows cannot be estimated with reasonable reliability, the estimated net realizable amount is the fair market value of the security underlying the loan, net of expected costs of realization and any amounts legally required to be paid to the borrower.

The amount of initial impairment and any subsequent changes in the amount of impairment are recorded as a charge or a credit to the specific allowance for losses on loans.

The Corporation ceases to accrue interest once a loan is classified as impaired. All payments received on impaired loans are credited to the suspended interest, protective loan disbursements, arrears payments for accrued loan interest, and loan principal balance in that order. Once the suspended interest, protective loan disbursements, and accrued loan interest are current then the loan is no longer classified as impaired. All payments received on previously written off loans are recognized as revenue as other income.

Loans are restored to performing status when it is determined that there is a reasonable assurance of timely collection of principal and interest. Refinanced loans are considered performing unless they meet the criteria of impaired loans. When an impaired loan is restored or refinanced to an accrual basis, any non-accrued capitalized interest as a result of cash payments received is recognized in income immediately and any remaining non-accrued capitalized interest is recognized over the remaining term of the loan.

(h) Allowance for losses on loans

The allowance for losses on loans is based upon a review of all loans to borrowers and represents management's best estimate of probable credit losses based upon historical experience. The allowance includes two components: general and specific.

The general allowance component represents management's estimate of probable losses on those loans which cannot yet be specifically identified as impaired. The general allowance is calculated as the total loans receivable, less the specific allowance at the end of the fiscal year, less any payout of loan balances after year end and is multiplied by 2%.

The specific allowance component is established on an individual loan basis to recognize credit losses. The amount of the initial impairment and any underlying subsequent changes due to re-evaluation of estimated realizable values are recorded through the provision for credit losses as an adjustment to the specific allowance for impaired loans.

The general allowance for performing loans and the specific allowance for impaired loans are shown as a reduction to loans receivable.

2. Significant accounting policies (continued)

i) Write-offs

Under the provisions of the *Financial Administration Act* of Nunavut, the outstanding principal and interest on a loan can be approved for write-off by the Corporation's Board of Directors if the total outstanding on a loan is $20,000 or less; or by the Legislative Assembly of Nunavut if the total outstanding on a loan is over $20,000. A loan written-off is still subject to collection action.

Management generally recommends the write-off of a loan only after all means of collecting the loan have been exhausted.

(j) Post-employment benefit liabilities

Pension benefits

All of the employees of the Corporation are covered by the Public Service Pension Plan (the Plan), a defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, the employer contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Non-pension benefits

Under the terms and conditions of employment, the Corporation's employees may earn severance and removal benefits based on years of service. These benefits are paid upon resignation, retirement, or death of an employee. The accrued liability and related expenses for these benefits are recorded as employees earn them and has been determined based on management's assumptions and best estimates.

In addition to severance and removal benefits, the Corporation's employees are entitled to sick leave under the terms of employment. Included in other non-pension benefits is an amount for employees who are permitted to accumulate unused sick leave. However, such entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which are expected to be used in future years is determined by management's assumptions and best estimates.

(k) Revenue recognition

Unless otherwise stated, all revenues are recognized and reported on an accrual basis in the period in which transactions or events give rise to the revenues.

(l) Contributions from Government of Nunavut and others

Transfers are recognized when the funding is authorized and any eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Government contributions are recognized in the Statement of Operations and Accumulated Deficit as the stipulated liabilities are settled. The Corporation does not have deferred contribution balances.

(m) Related party transactions

The Corporation is related in terms of common ownership, to all Government created departments and territorial corporations. The Corporation considers key management personnel, which includes all members of the Board of Directors and the Chief Executive Officer to be related parties.

The Government provides certain administrative contributions and services without charge to the Corporation.

Administrative contributions provided by the Government are measured at the exchange amount, which is a fixed amount of consideration established and agreed to by the related parties under a contribution agreement and are recorded in the related account balances.

2. Significant accounting policies (continued)

(m) Related party transactions (continued)

Services provided without charge by the Government are measured at the carrying amount, which is an amount based on allocated costs and recoveries and are reported in the related account balances on a gross basis.

The Corporation also reimburses the Government for payments made on behalf of its employees in relation to salaries and other payments. These transactions are measured at the exchange amount based on the total amount of payments made on behalf of the Corporation.

(n) Changes in accounting standards

New and amended accounting standards issued by the PSAB that came into effect on April 1, 2017 have been adopted by the Corporation.

The following standards became effective on April 1, 2017:

PS 2200 Related Party Disclosures, a new accounting standard which establishesdisclosure requirements for related party transactions.

PS 3210 Assets, a new accounting standard providing guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets, a new accounting standard establishing disclosure requirements for contingent assets.

PS 3380 Contractual Rights, a new accounting standard defining and establishing disclosure requirements for contractual rights.

PS 3420 Inter-Entity Transactions, a new accounting standard establishing guidance on how to account for and report transactions between public sector entities that comprise the Corporation's reporting entity from both a provider and a recipient perspective.

The Corporation has adopted the above accounting policies on a prospective basis. The adoption of these new accounting standards did not result in any financial impact on the Corporation's financial statements, other than disclosure.

In addition, PS 3420 Restructuring Transactions, a new accounting standard defining a restructuring transaction and establishing guidance for recognizing and measuring assets and liabilities transferred in a restructuring transaction, will become effective on April 1, 2018. The Corporation has assessed the impact of this accounting standard and is of the view that this accounting standard will not impact the Corporation's financial statements.

(o) Services provided without charge by non-related parties

Audit services are provided without charge from the Office of the Auditor General of Canada to the Corporation for the audit of the Corporation's financial statements. No amount has been recognized in these financial statements in respect of the services provided.

3. Cash

The Corporation's cash is pooled with the Government's surplus cash which earns bank interest on the combined balance, rather than on an individual account basis. In 2018, the Corporation earned interest income of $70,800 (2017 - $32,562) with an average yield of 1.41% (2017 - 0.69%).

As of March 31, 2018, cash includes a trust advance of $nil (2017 - $46,650), which relates to undisbursed loans receivable.

4. Loans receivable

As of March 31, 2018, loans receivable are expected to mature as follows:

Terms to Maturity	**Annual Interest Rate %**	**2018**	**Annual Interest Rate %**	**2017**
1 year	5.48% - 6.74%	$ 8,191,036	5.48% - 6.13%	$ 7,517,156
1 - 2 years	5.52% - 6.13%	1,744,146	5.54% - 6.40%	5,087,263
2 - 3 years	6.05%	1,000,650	5.52% - 6.13%	2,731,374
Over 3 years	5.32% - 6.59%	6,156,761	5.32% - 6.05%	4,802,265
Impaired loans	5.48% - 8.5%	4,553,474	5.48% - 8.5%	4,740,989
		$ 21,646,067		$ 24,879,047
Accrued loan interest receivable (Note 6)		179,205		127,882
Loan charges receivable		115,757		197,990
		$ 21,941,029		$25,204,919
Less: Allowance for losses on loans receivable (Note 5)		3,760,810		3,529,011
Loans receivable - net		$ 18,180,219		$ 21,675,908

The number of loans by terms to maturity are as follows:

	2018		**2017**	
Terms to Maturity	**Number of Loans**	**Loan Balance**	**Number of Loans**	**Loan Balance**
Performing Loans				
1 year	20	$ 8,191,036	19	$ 7,517,156
1 - 2 years	5	1,744,146	9	5,087,263
2 - 3 years	2	1,000,650	6	2,731,374
Over 3 years	13	6,156,761	11	4,802,265
Total - Performing loans	40	$ 17,092,593	45	$ 20,138,058
Total - Impaired loans	13	$ 4,553,474	12	$ 4,740,989
Total	53	$ 21,646,067	57	$ 24,879,047

Impaired loans include $1,768,661 (2017- $3,229,150) of loans which will mature over the next 1 to 3 years and $2,784,813 (2017- $1,511,839) of loans which have reached maturity and are past due..

4. Loans receivable (continued)

The concentration of performing loans and impaired loans by region are as follows:

Regions	**Annual Interest Rate %**	**2018**	**Annual Interest Rate %**	**2017**
Performing Loans				
Qikiqtaaluk	5.48% - 6.74%	$ 11,181,066	5.48% - 6.40%	$ 12,660,885
Kivalliq	5.32% - 5.48%	1,895,208	5.32% - 5.54%	2,936,570
Kitikmeot	5.53% - 6.22%	4,016,319	5.53% - 6.21%	4,600,603
Total - Performing Loans		$ 17,092,593		$ 20,138,058
Impaired Loans				
Qikiqtaaluk	5.48% - 6.56%	$ 3,487,600	5.48% - 6.56%	$ 2,935,086
Kivalliq	6.09% - 8.5%	1,065,874	6.09% - 8.5%	1,805,903
Kitikmeot	-	-	-	-
Total - Impaired Loans		$ 4,553,474		$ 4,740,989
Total		$ 21,646,067		$ 24,879,047
All Loans				
Qikiqtaaluk	5.48% - 6.74%	$ 14,668,666	5.48% - 6.56%	$ 15,535,971
Kivalliq	5.32% - 8.5%	2,961,082	5.32% - 8.5%	4,742,473
Kitikmeot	5.53% - 6.22%	4,016,319	5.53% - 6.21%	4,600,603
Total		$ 21,646,067		$ 24,879,047

5. Allowance for losses on loans

	2018	2017
Specific Allowance on Impaired Loans		
Balance, beginning of the year	$ 3,157,497	$ 3,014,158
Change in provision for the year	259,521	143,339
Balance, end of the year	$ 3,417,018	$ 3,157,497
General Allowance on Impaired Loans		
Balance, beginning of the year	$ 371,514	$ 364,477
Change in provision for the year	(27,722)	7,037
Balance, end of the year	$ 343,792	$ 371,514
Total balance of all allowances, end of the year	$ 3,760,810	$ 3,529,011

6. Accrued loan interest receivable

	2018	2017
Performing loans	$ 91,508	$ 29,210
Impaired loans	87,697	98,672
	$ 179,205	$ 127,882

7. Accounts payable and accrued liabilities

	2018	2017
Related party accounts payable and accrued liabilities		
Amounts payable to the Department (Note 13)	$ 224,475	$ 749,528
	$ 224,475	$ 749,528
Trade payables and accrued liabilities to third parties		
Trade payables	$ 55,104	$ 26,195
Annual leave, lieu time, and optional leave	115,975	108,664
	171,079	134,859
Total accounts payable and accrued liabilities	$ 395,554	$ 884,387

All amounts above are non-interest bearing and have normal payment terms. Amounts payable to the Department are primarily payroll expenditures paid on behalf of the Corporation by the Department.

8. Post-employment benefit liabilities

Pension benefits

All of the employees of the Corporation are covered by the Plan. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The contribution rate effective at year end was 1.01 (2017 - 1.01) for members enrolled before January 1, 2013 and 1.0 (2017 - 1.0) for members enrolled beginning January 1, 2013. The Corporation's contributions of $56,093 (2017 - $66,251) were recognized as an expense in the current year. This amount is included in salaries and benefits. The employees' contributions to the Plan were $54,435 (2017 - $59,016).

The Government of Canada holds a statutory obligation for the payment of the benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada Pension Plan benefits and indexed to inflation.

Non-pension benefits

In addition to pension benefits, the Corporation provides severance and removal benefits to its employees. These benefit arrangements are not pre-funded and thus have no assets set aside to fund them, resulting in deficiencies for the arrangements equal to the accrued benefit obligations.

Severance benefits to the Corporation's employees are based on years of service and final salary. Removal assistance to eligible employees are as provided under labour contracts.

As there is no expectation that existing entitlements will be used in future years, no sick leave liability has been recorded.

	2018	2017
Severance	$ 22,551	$ 24,565
Removal	12,341	12,341
	$ 34,892	$ 36,906

9. Due to Government of Nunavut

	2018	2017
Balance, beginning of the year	$ 25,174,173	$ 25,132,299
Interest expense on advance for the year	356,428	174,173
Amount repaid	(174,173)	(132,299)
Balance, end of the year	$ 25,356,428	$ 25,174,173

Interest on the advance is calculated monthly based on the average selected Government of Canada three year benchmark bond yields at month end, compounded annually. In 2018, the rate varied from 0.75% to 1.96% (2017 - 0.51% to 0.92%).

There are no fixed repayment terms on the advances, which are due on demand.

10. Financial risk management

Credit risk

The Corporation is exposed to the following risks as a result of holding financial instruments.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations.

Credit granting and loan management are based on established credit policies. The maximum exposure to credit risk from borrowers is limited to the carrying value of the loans. The Corporation's management of credit exposures from borrowers includes:

1. Credit policies and directives communicated to lending officers whose activities and responsibilities include credit granting and monitoring client performance;
2. Diversifying its portfolio across different geographic regions and securing clients' assets; and
3. Limiting the concentration of loans and investments with any one business enterprise or group of related enterprises to $1 million.

The principal collateral held as security and other credit enhancements for loans includes: (i) collateral mortgages on real property; (ii) various securities on assets; and (iii) corporate and personal guarantees.

As at March 31, 2018, $3,516,658 (2017 - $3,704,173) of the impaired loans are secured by assets the Corporation has the ability to sell in order to satisfy borrowers' commitments.

There were no significant changes to the Corporation's credit risk management policies and practices from the prior year.

The table below illustrates the maximum credit exposure to the Corporation if all counterparties defaulted on March 31, 2018.

	2018	**2017**
Cash	$ 6,179,051	$ 2,908,070
Accounts receivable	45,402	28,458
Loans receivable, net of allowances	17,885,257	21,350,036
Accrued interest receivable	179,205	127,882
Loan charges receivable	115,757	197,990
	$ 24,404,672	$ 24,612,436

Commitments to make future loan disbursements represent unused portions of authorizations to extend credit in the form of loans and credit lines. With respect to credit risk, the Corporation is potentially exposed to a maximum credit risk in an amount equal to the total unused commitments totaling $1,491,946 (Note 11).

The Corporation considers a loan past due when a client has not made a payment in accordance with the payment terms. The following table presents the carrying value of loans that are past due, but not classified as impaired because they did not meet the criteria of impairment.

Loans past due, but not impaired	**2018**	**2017**
31 - 60 days	$ -	$ -
61 - 90 days	-	-
Over 90 days	-	552,514
	$ -	$ 552,514

At the end of 2018, there was no known relevant concentration of credit risk by type of customer or geography.

10. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the fair value or future cash flows of the advances from the Government.

The Corporation's borrowing from the Government is based on a variable market rate, but the Corporation lends to borrowers at fixed term rates. The Corporation's interest rate margin or spread widens when interest rates fall and it narrows when interest rates rise.

The Corporation's management monitors exposure to interest rate fluctuations; it does not employ any interest rate management policies to counteract interest rate fluctuations.

Based on the Corporation's advances from the Government as at March 31, 2018 and the monthly cash balance on hand, a 100 basis point increase in annual interest rates would decrease the surplus by $245,826 (2017 – $248,055). A 100 basis point decrease in annual interest rates would increase the surplus by $237,736 (2017 – $174,173).

The Corporation is not exposed to any other market risks.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities. The Corporation's objective for managing liquidity risk is to manage operations and cash expenditures within the fixed contribution for the year as specified in the Contribution Agreement with the Department.

The maturities of the accounts payable and accrued liabilities at year-end are within 1 – 31 days. The advances from the Government are due on demand with no fixed repayment terms. Repayment on advances is made whenever the Corporation has sufficient cash on hand which is not earmarked for lending purposes.

11. Contractual obligations

Under loan agreements made before year end, the Corporation had commitments to make future loan disbursements subsequent to March 31, 2018 on lines of credit of $1,191,946, and a standby letter of credit of $300,000, that are on demand with no established timelines.

12. Contractual rights

The Corporation enters into agreements to provide loans to business enterprises for the purpose of stimulating economic development and employment in Nunavut. These agreements will result in interest revenue and assets in the future. The following table summarizes the contractual rights of the Corporation:

2019	$ 864,177
2020	$ 446,596
2021	$ 366,817
2022	$ 271,615
2023	$ 120,603

13. Related party transactions

The Corporation is related in terms of common ownership to all Government created departments, statutory bodies, and territorial corporations. The Corporation enters into transactions with these entities in the normal course of business under terms and conditions similar to those with unrelated parties.

13. Related party transactions (continued)

Contributions from the Government

Under the terms of the Contribution Agreement between the Corporation and the Department, the Corporation receives core funding in the form of a fixed contribution for its direct administrative expenses. The Corporation also records in the financial statements an estimate of cost of services provided by the Government without charge. These services include accounting and administrative support, regional and personnel services, office, lease, utilities, insurance, and telephone and computer systems.

The following table summarizes the total Government contributions recognized in the current year:

	2018	**2017**
Operational contribution	$ 700,000	$ 700,000
Services provided without charge:		
Facility expenses	92,036	92,036
Information technology support	4,000	3,963
Insurance and risk management	5,349	3,686
Administration of employee salaries and benefits	58,162	73,054
Total contributions from the Government	$ 859,547	$ 872,739

Reimbursement of salaries and other payments

The Department also administers and disburses payroll and other employee payments on behalf of the Corporation. The Corporation subsequently reimburses the Government for these payments and recognizes an expense within its Statement of Operations and Accumulated Deficit.

During the year, payments made by the Government on behalf of the Corporation in relation to employee salaries and other payments totaled $764,071. As at March 31, 2018, $224,475 remains outstanding and has been accrued within accounts payable and accrued liabilities.

14. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the Main Estimates approved by the Legislative Assembly of Nunavut and the Board of Directors.

NUNAVUT BUSINESS CREDIT CORPORATION **SCHEDULE A**

Schedule of Tangible Capital Assets

for the year ended March 31

		Computer and office equipment		Office furniture and fixtures		2018		2017
Cost of tangible capital assets								
Opening balance	$	134,785	$	44,413	$	179,198	$	173,231
Additions		9,513		-		9,513		107,656
Disposals		(113,577)		(25,146)		(138,723)		(101,689)
Closing balance	$	30,721	$	19,267	$	49,988	$	179,198
Accumulated amortization								
Opening balance	$	(32,585)	$	(34,259)	$	(66,844)	$	(146,440)
Disposals		52,382		$24,437		76,819		96,799
Amortization		(29,005)		(1,767)		(30,772)		(17,203)
Closing balance	$	(9,208)	$	(11,589)	$	(20,797)	$	(66,844)
Net book value	$	21,513	$	7,678	$	29,191	$	112,354
Amortization rate		30%		20%				

NUNAVUT BUSINESS CREDIT CORPORATION **SCHEDULE B**

Project Schedule - Specialized Training Fund

for the year ended March 31

		Budget 2018		Actual 2018		Actual 2017
Revenue						
Specialized Training Fund	$	-	$	-	$	(1,709)
Total revenue	$	-	$	-	$	(1,709)
Expenses						
Instructor Travel	$	-	$	-	$	-
Instructor accommodations		-		-		-
Instructor per diems		-		-		-
Course development and materials		-		-		-
Total expenses	$	-	$	-	$	-
Total	$	-	$	-	$	(1,709)

NUNAVUT BUSINESS CREDIT CORPORATION **SCHEDULE C**

Project Schedule - Professional and Institutional Development Program

for the year ended March 31

		Budget 2018		Actual 2018		Actual 2017
Revenue						
Professional and Institutional Development Program	$	-	$	21,789	$	68,208
Total revenue	$	-	$	21,789	$	68,208
Expenses						
Travel		-	$	20,289	$	64,633
Meeting venues		-		1,500		3,575
Total expenses	$	-	$	21,789	$	68,208
Total	$	-	$	-	$	-

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"Lender of Northern Opportunity"

2017
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