

Lender of Northern Opportunity



Nunavut Business Credit Corporation

will be the

financial solutions provider of choice

to Nunavut's business community.

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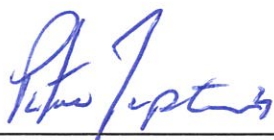
LETTER OF TRANSMITTAL

The Honourable Edna Elias
Commissioner
Government of Nunavut

Dear Commissioner Elias:

I have the honour of presenting the Annual Report for the Nunavut Business Credit Corporation covering the period April 1, 2012 to March 31, 2013.

Respectfully submitted,



Honourable Peter Taptuna
Minister Responsible for the
Nunavut Business Credit Corporation

MESSAGE FROM THE CHAIR

On behalf of the Board of Directors of the Nunavut Business Credit Corporation (NBCC), it is my pleasure to present the Annual Report for 2012-13.

It has been another year of progress for the Corporation.

I am pleased to report that the NBCC received a positive audit result from the Auditor General of Canada for the March 31, 2013 fiscal year. These statements have been prepared based on the Canadian Public Sector Accounting Standards (PSAS).

There have been no changes in board membership this year.

The Administration and Conduct Manual, Accounting Manual, Board Orientation Manual and Credit Management Manual guide NBCC staff members in performing their various duties. All manuals have previously received Ministerial Approval.

NBCC has not experienced any staff turnover during the year. The Corporation now has five of six positions filled. Training plans have been completed for all staff positions. I am pleased to advise you that we now have 40% Inuit employment at the Corporation.

Annually the NBCC holds a Strategic Planning Workshop with Board members and senior management. As well, Board members set high targets for Program Delivery, Business Development, Performance Measurement, NBCC Business Client Support and reviews of all NBCC policy manuals. In 2013-2014, NBCC will be issuing a periodic newsletter to clients. During the last year NBCC visited 13 Nunavut communities and met with Economic Development Officers as well as current clients and potential clients.

The Board of Directors has recommended to the Minister that the maximum lending limit be increased from \$1.0 million to \$2.0 million. The lending limit has not been updated since the NBCC Act came into force in 1991.

MESSAGE FROM THE CHAIR

NBCC continues to seek new opportunities to expand its loan portfolio by finding new clients and expanding our relationship with existing clients.

The Board of Directors is looking forward to working with the Chief Executive Officer and staff in the new year to increase the Corporation's presence in the communities and assist Nunavut businesses in expanding their operations and increasing their financial capacity.

Sincerely,



Gregory D. Cayen, FCA

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to report on another successful year for NBCC.

As in the prior year, NBCC achieved a positive audit result and met its statutory reporting deadline with respect to its 2012-2013 fiscal year. This has served to further enhance NBCC's credibility, restore its reputation and highlight its renewed capacity to be Nunavut's Lender of Northern Opportunity.

Yet the year was not without its challenges. Through a series of recoveries and loan repayments, NBCC's loan portfolio was not as diversified or as significant as anticipated for the year. This impacted not only NBCC's interest revenue that partially funds its operations but also meant it had to proactively seek new financing opportunities with new or existing clients. More recently, NBCC has experienced a significant increase in its loan portfolio and continues to play a vital role in serving the needs of Nunavut's business community.

This year, NBCC was also successful in obtaining contributions from the Canadian Northern Economic Development Agency under the Federal government and from the Department of Economic Development and Transportation under the Government of Nunavut to further develop its community outreach and expand its market base. Through these initiatives, NBCC was able to visit 5 communities in the Kitikmeot Region and 4 communities in the Kivalliq Region. These community visits resulted directly in new loan applications for the Corporation and expanded opportunities for Nunavummiut.

NBCC continues to seek an increase in its loan threshold from the legislated maximum of \$1 million in order to better serve Nunavut's growing business community. Recent applications indicate that changed circumstances including a higher cost environment and more significant opportunities for the Territory's private sector warrant a change to the threshold that pre-dates Nunavut's inception. The Corporation continues to seek this amendment to its legislation to better serve Nunavummiut.

The Corporation has experienced a year of internal stability with all key positions being filled on an indeterminate basis. Training plans have been developed and each employee has undertaken training during the year. The Corporation strives to complete more cross-training to ensure sufficient coverage and depth of knowledge during staff absences.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Lastly, I would like to acknowledge NBCC's active and engaged Board of Directors throughout the fiscal year. The Board is comprised of experienced members from across the Territory and the members' combined northern knowledge and commitment has contributed to NBCC's successful emergence from a troubled past.

I would like to thank the Board for its direction and guidance throughout 2012-2013 as well as the oversight provided by the Departments of Economic Development and Transportation and Finance in working with NBCC's senior management toward ensuring the Corporation's renewed success and achievement of its mandate as the "Lender of Northern Opportunity".

Yours truly,



Sherri Rowe, CGA
Chief Executive Officer

MANDATE

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 enterprises in Nunavut for whom access to credit represents a real challenge to growing their business. The majority of NBCC's clients are established businesses looking to expand or better establish themselves in their market. NBCC also accepts applications for new businesses.

Working one on one with its clients, NBCC through its rigorous due diligence process gives careful consideration to each application, ensuring the merits of each proposed enterprise. The Corporation then provides financing for those projects that offer the best opportunities for success.

MISSION

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 vision of *Tamapta: Building Our Future Together*.

CORPORATE OVERVIEW

NBCC is a Territorial Corporation of the Government of Nunavut (GN). 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 and has a close association with the GN's Department of Economic Development & Transportation (ED&T). Historically, the ED&T's Minister is also the Minister Responsible for NBCC.

The Territorial Corporation is subject to Part IX of the *Financial Administration Act*.

ORGANIZATIONAL STRUCTURE

Board of Directors

Corporate policy and overview is set by NBCC's Board of Directors (Board). The Commissioner-in-Executive Council appoints members of NBCC's Board on the recommendation of the Minister Responsible for the NBCC. The Minister bases his recommendation on solicitations of his cabinet colleagues, other Members of the Legislative Assembly and the general public.

Historically, members of the Board have been chosen to reflect a cross-section of relevant backgrounds and representation across the territory with two members each from the Kitikmeot, Kivalliq and Qikiqtaaluk regions. Board members may not hold an NBCC credit facility and no member may work for ED&T.

*Nunavut Business Credit Corporation Regulations (R-008-2010) address Board honoraria and expenses, amortization and term of loans and interest rates.

NBCC's Board of Directors in place through 2012-2013 is shown below.

BOARD OF DIRECTORS			
Position	Member	Location	Term End
Greg Cayen, FCA	Chair	Iqaluit	May 31, 2015
Marg Epp	Director	Cambridge Bay	June 25, 2013
Donald Havioyak	Director	Kugluktuk	June 25, 2013
Elijah Evaluarjuk	Director	Igloolik	February 20, 2015
Nancy Karetak-Lindell	Vice Chair	Arviat	June 25, 2013
Allan Lahure	Director	Baker Lake	August 29, 2014
Tommy Owljoot	Director	Arviat	May 31, 2015

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

Although situated in Nunavut's capital, NBCC has a mandate that extends across the vast 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 may be established to provide oversight and guidance to address key aspects of NBCC's operations and activities. In 2012-2013, three such committees existed, namely the Finance Committee, the Credit Facility Committee and the Policy and Planning Committee. Each Committee has Terms of Reference which have been approved by the full Board to guide its activities and focus. Committee members are selected from the existing Board members depending on their experience and interests. Each Board member is encouraged to participate on at least one Committee.

Staff Positions

NBCC has six permanent staff positions, all based at its location in Iqaluit. They are:

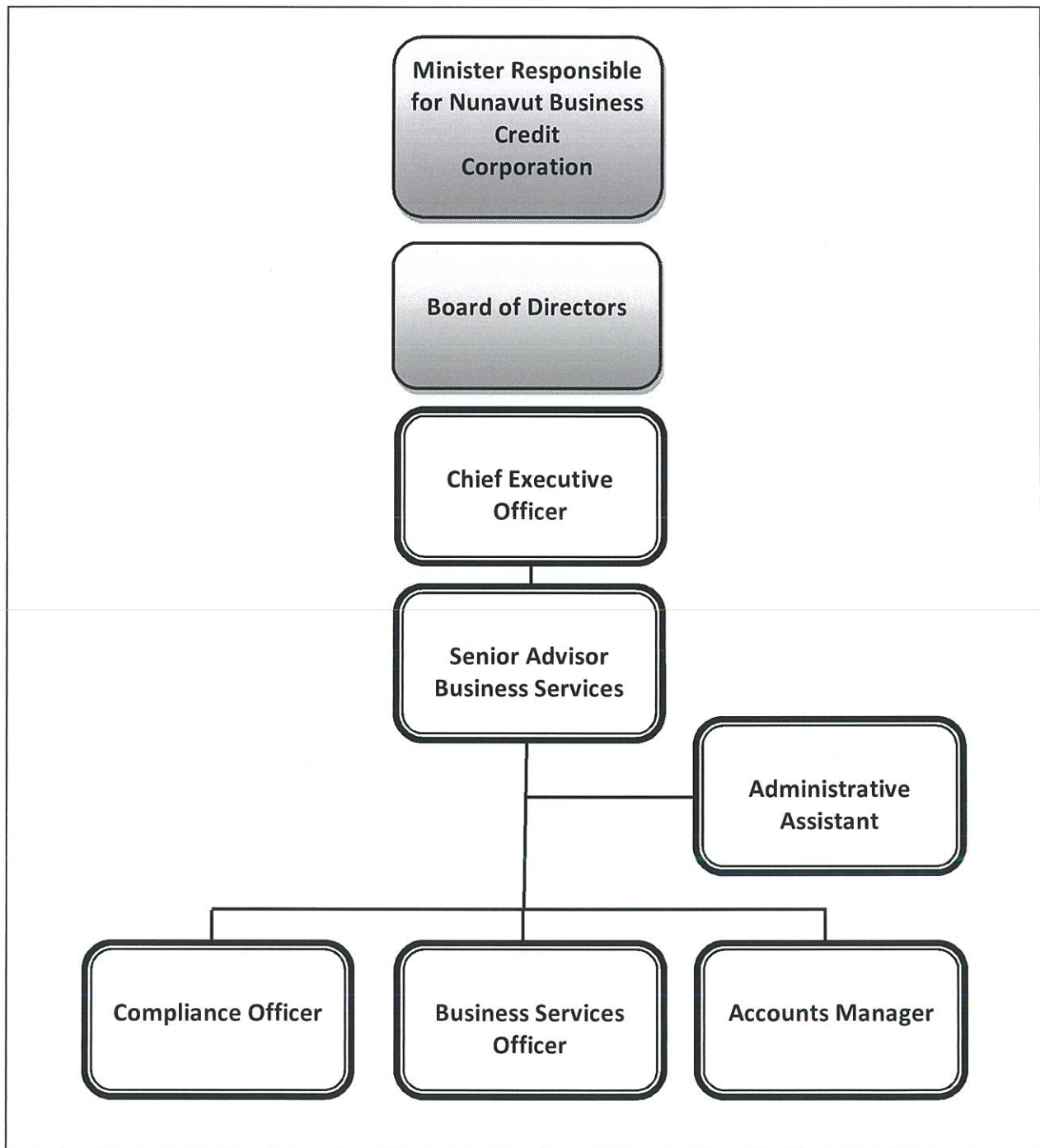
- Chief Executive Officer;
- Senior Advisor, Business Services
- Compliance Officer
- Business Services Officer
- Accounts Manager
- Administrative Assistant

As of March 31, 2013, all staff positions (with the exception of the Administrative Assistant which remains vacant) were filled on an indeterminate basis with 40% Inuit representation. Building internal capacity and a stable staff complement are key priorities to ensure NBCC's future success.

Corporate Accountability Chart

NBCC's reporting relationships are represented in the following accountability chart. Both the Minister Responsible for NBCC and the Board of Directors are shown as critical elements of NBCC's governance structure.

CORPORATE ACCOUNTABILITY CHART

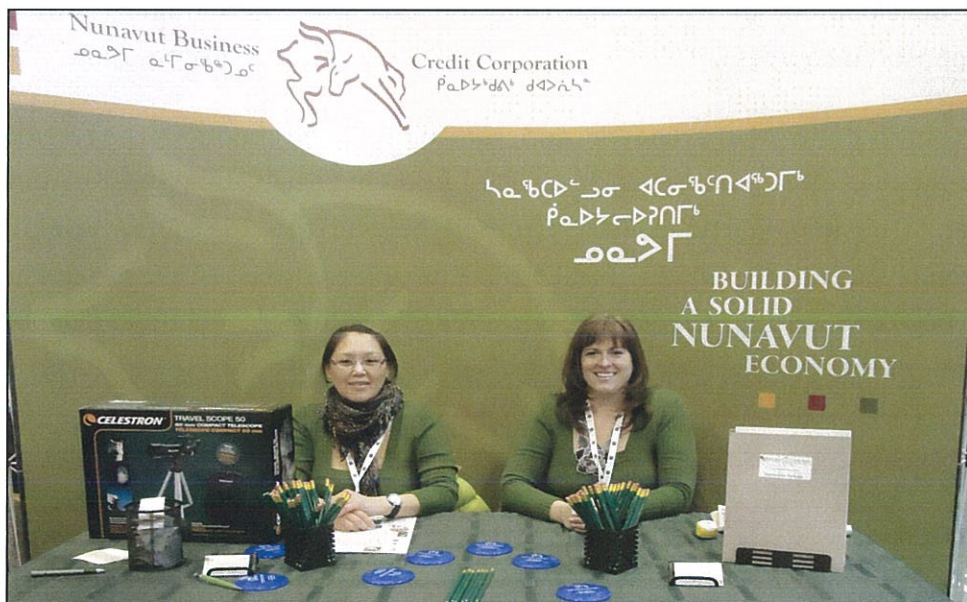


All NBCC staff positions are based in Iqaluit.

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Supporting Nunavut businesses



Priscilla Kuksuk and Angela Barkhouse-McPherson greet new and existing clients at the Cambridge Bay Trade Show in 2012. Angela is NBCC's Senior Advisor, Business Services and its longest-serving employee. Angela is often the first person clients meet when seeking financial assistance. Priscilla joined NBCC in 2011 and serves as its Business Services Officer.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW

Although 2012-2013 was a successful year for NBCC and ended in a surplus, it was also a challenging one. Over the past few years, NBCC's Board and senior management have been focused on addressing significant concerns and deficiencies raised by the Office of the Auditor General. While obtaining an unqualified audit opinion with respect to its 2010-2011, the first time an audit opinion had been provided in six consecutive years, NBCC has been focused on addressing its internal operations. In the interim, NBCC's loan portfolio declined as loans were repaid and new loans were slow to come in. It is unclear whether NBCC was still dealing with a tarnished reputation from earlier years but that may have been a contributing factor for reduced loan activity. As NBCC is partially funded by the interest income it receives on its loan portfolio, the decline in its loan balance was concerning. At the same time, it had fully staffed all its key positions contributing to a higher salary and benefits expense than in prior years. Certain activities were curtailed such as professional fees which was in keeping with the Corporation's development of its internal capacity. As well, staff training was obtained through GN-sponsored courses which were provided at no cost to the Corporation.

Through the contributions of the Federal and Territorial governments, however, NBCC was able to visit a number communities which resulted in an increase in loan applications late in the fiscal year. The loan portfolio was increased beyond the 2011-2012 levels and has amounted to much activity for NBCC. The Corporation will continue to seek opportunities to connect with new and existing clients across the Territory in order to fulfill its mandate of being the Lender of Northern Opportunity.

LOOKING AHEAD

While NBCC has accomplished much, it must now focus on broadening its reach to establish additional business with new and existing clients and thereby expand its loan portfolio. It plans to do this through ensuring greater community presence and assessing additional financing requirements of established clients. Working closely with the Board, it will also endeavour to implement its Strategic Plan and meet its established priorities for the year

KEY HIGHLIGHTS

The key highlights of this Annual Report for NBCC's 2012-2013 fiscal year are:

- Board of Directors in place with representation across the Territory;
- Financial statements in full compliance with Canadian public sector accounting standards and NBCC's statutory reporting deadline;
- Financial reporting completed on a timely basis and within its statutory reporting deadline;
- Obtained contributions from the Federal and Territorial governments to undertake outreach activities and broaden its market across Nunavut;
- Successful upgrade of NBCC's loan management system, TEA;
- All key positions fully staffed on an indeterminate basis;
- Training and development plans in place for each employee.

MINISTERIAL DIRECTIVE

Section 78 (7) of the *Financial Administration Act* requires the NBCC is obligated to report any Ministerial Directive issued and/or in place during the fiscal year.

There were no Ministerial Directives in place for NBCC during 2012-2013.

SUMMARY OF FINANCIAL RESULTS

The following summary examines NBCC's financial results for the period from April 1, 2012 to March 31, 2013. The year ended with a surplus of \$293,200 versus a surplus of \$332,705 in 2011-12. This decrease of \$38,505 (or 11.9%) was due to a number of factors as noted below:

The most significant factor for this overall decline to NBCC's reported surplus was the \$116,185 (or 14.9%) decrease in interest income earned from its loan portfolio. This was partially offset by an increase of \$46,792 (or 97.2%) in interest income earned from monies held on deposit for an overall reduction in revenue of \$69,393 (or 8.4%). This is consistent with changes that occurred to NBCC's loan portfolio during the year with loans repaid and monies held on deposit until new loans were approved and issued.

During the year, NBCC was able to secure contributions from the Federal and Territorial governments to undertake community outreach activities and develop its market. These project-related expenses are included under advertising and promotion (\$101,181) as well as travel (\$6,379) but were fully funded.

While total expenses increased by \$84,681 (or 6.9%) from \$1,233,957 in 2011-2012 to \$1,318,638 in 2012-2013, NBCC's regular expenses for the year actually decreased slightly by \$22,879 (or 1.9%) when the project-related expenses are factored out.

The largest reduction occurred in professional fees which declined by \$82,051 (or 35.3%) from \$232,219 in 2011-2012 to \$150,168 in 2012-2013. This is consistent with NBCC's enhanced internal capacity and lesser reliance on outside expertise. Further, the transition to Canadian Public Sector Accounting Standards for the 2011-2012 necessitated additional assistance in the prior year. Board-related expenses including honoraria also declined by \$31,254 (or 51.6%) (\$29,374 in 2012-2013 versus \$60,628 in 2011-12) and advertising and promotion expenses decreased by \$24,214 (or 47.2%) for regular operations in 2012-2013.

The reduction in expenses was largely offset by an increase in salaries and benefits of \$119,675 representing a 17.6% change from \$681,162 in 2011-2012 to \$800,837 in 2012-2013.

Compared to the 2012-2013 budget, revenue was higher by \$76,095 (or 11.1%) and overall expenses (including budgeted project costs) was lower by \$296,047 (or 18.3%) and the funding from the Government of Nunavut was \$54,817 (or 6.9%) lower than expected. This amounted to a \$293,200 surplus which exceeded the budgeted surplus of \$NIL..

Provision for Losses on Impaired Credit facilities

The provision for losses on impaired credit facilities is based upon a review of all credit facilities to borrowers and represents managements' best estimate of probable credit losses. The total allowance for 2012-2013 which includes both general and specific provisions, was \$993,925 (2011-2012: \$1,176,493) which represents a net decrease of \$182,568 (or 15.5%) over the previous year.

Specific Allowance

Management examines the portfolio on a continuous basis for credit facilities which should be classified as impaired. At the end of 2012-2013, credit facilities were declared impaired with a provision for losses of \$779,467 (2011-2012: \$982,172); which represents a decrease of \$202,705 (or 20.6%) in the specific allowance for impaired credit facilities.

General Allowance

A general allowance is calculated each year to provide for possible impairments within the performing credit facilities. NBCC's general allowance is set at 2% of the performing credit facilities portfolio. For 2012-2013, it was \$214,458 (2011-2012: \$194,321). The change between these years represents an increase of \$20,137 (or 10.4%).

PORTFOLIO PERFORMANCE

Portfolio Activity

The primary focus in 2012-2013 was continuing efforts with respect to NBCC's overall loan portfolio necessary for an positive audit opinion, improving timeliness of NBCC's financial reporting and maintaining compliance with Canadian Public Sector Accounting Standards and statutory reporting requirements. As such, efforts to address reported concerns and deficiencies contained within the existing facilities took a central role throughout the 2012-2013 fiscal year (as in the prior two years). Accordingly, new credit facilities were considered only to the extent they could be addressed within NBCC's internal capacity and resources while these remedial efforts continued and renewals of existing credit facilities were addressed. That said, 9 new loans were still approved during the 2012-2013 fiscal year. This is a tremendous achievement given the ongoing efforts underway to ensure continuous improvement.

Seven loans were also repaid during the year; 4 loans through customized or balloon payments and 3 loans through regular payments.

At the end of the fiscal year, the portfolio stood at \$10,492,001, a increase of \$841,029 or 8.7% over 2011-2012. (2011-2012: \$9.65 million).

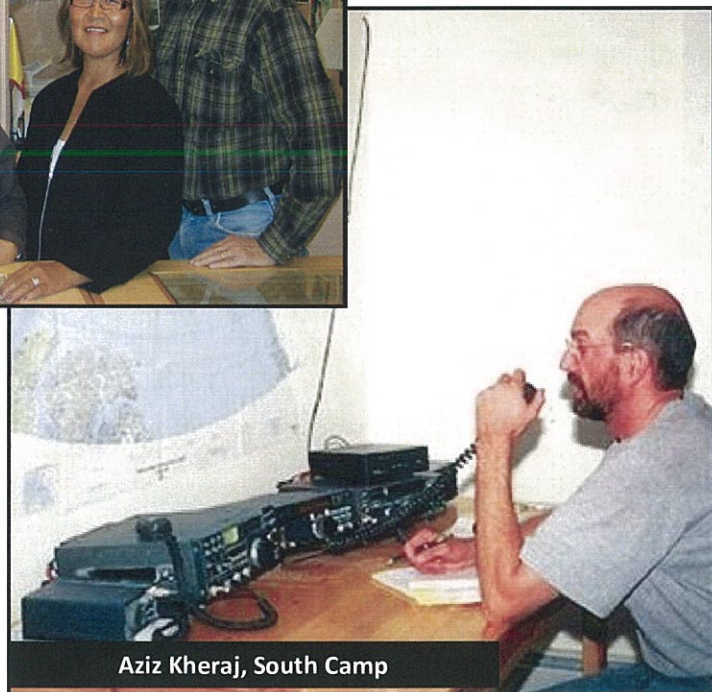
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NBCC Clients



Stephen, Michael, Marina, Helen, Paul
"Team Akhaliak"



Aziz Kheraj, South Camp

Credit Facilities

Credit facilities are classified as non-performing when no regular payments have been made over the course of the year and, based on available information and current events, it is considered improbable NBCC will be able to collect all of the amounts related to the credit facilities (interest and principal) as per the contractual terms of the credit facility agreement.

New Credit Facilities

The Board approved 9 new credit facilities for a total of \$4,271,851 (2011-2012: \$1,992,000) during the year.

Repaid Credit Facilities

Regular loan repayments in 2012-2013 amounted to \$1,632,646; included in that amount is a total of \$627,455 in customized and balloon payments to pay out 4 loans.

New loan disbursements for 2012-2013 amounted to \$2,282,940 (included in this number is draw downs on lines of credit)

Annual Lending Statistics

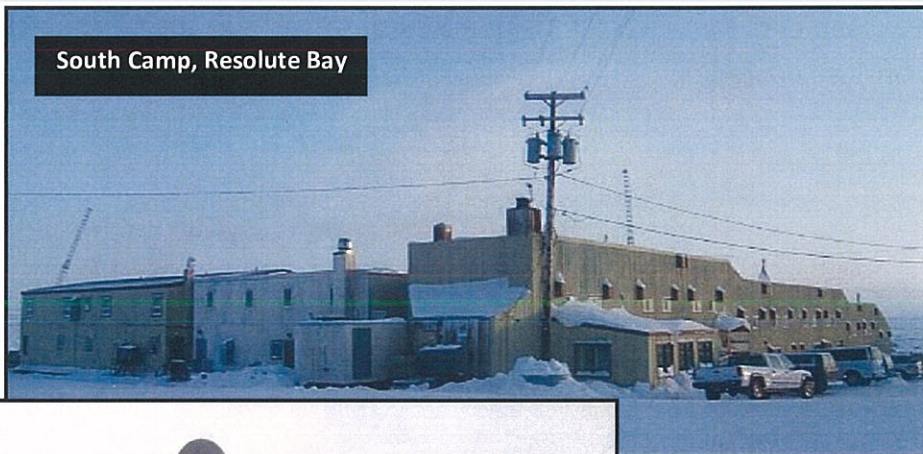
NBCC lends to businesses in every community throughout Nunavut of which there are 25. During 2012-2013, there were credit facilities in Cambridge Bay, Gjoa Haven and Kugluktuk in the Kitikmeot region, Arviat, Coral Harbour and Rankin Inlet in the Kivalliq and Cape Dorset, Clyde River, Clyde River, Iqaluit and Qikiqtarjuaq in the Qikiqtaaluk region.

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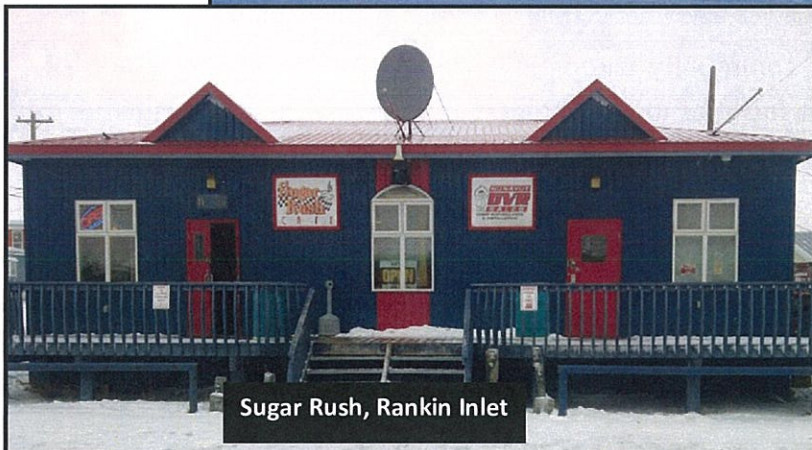


**Businesses NBCC has supported
through its lending activities**

South Camp, Resolute Bay



Sugar Rush, Rankin Inlet



Industrial Perspective

In terms of performing credit facilities by industry sectors supported, NBCC's loan portfolio is most concentrated in the services industry (27.3%) followed closely by the retail sector (19.5%). The construction sector was third representing 18.8% of active loans. Finding opportunities to diversify its portfolio with other industries continues to be a priority for NBCC.

NBCC understands the need to diversify Nunavut's economy and will continue to engage its strategic partners within the Nunavut Economic Forum and work with other funding agents in Nunavut to assist businesses in accessing the financing they need. Central to NBCC's efforts on this score is the promotion of the Nunavut Economic Development Strategy as a means towards enabling the innovative partnerships required to overcome Nunavut's economic development challenges.

**Credit Facilities by Industry Sector
March 31, 2013**

Industry Sector	2012-2013			2011-2012		
	LOC	Loans	Amount (\$)	LOC	Loans	Amount (\$)
Performing Loans						
Communication	—	2	292,766	—	2	\$ 395,712
Construction	1	8	2,140,113	3	5	1,641,060
Finance	—	1	(33)	1	—	(33)
Fishery	—	1	465,061	—	2	495,469
Hospitality	1	3	925,999	—	6	1,308,566
Real Estate	—	2	295,555	—	2	321,160
Retail	2	6	2,215,203	2	7	2,183,491
Service	3	9	3,102,695	2	8	2,960,273
Transportation	1	2	1,271,299	1	3	686,111
Total Performing	8	34	10,708,658	9	35	\$ 9,991,809
Non Performing	—	5	645,595	—	5	645,596
Total Loan Portfolio	8	39	\$ 11,354,253	9	40	\$ 10,637,405

Regional Perspective

The Qikiqtaaluk Region received most of NBCC's support with four of thirteen communities serviced, a total of \$6,965,253 in credit facilities, or 61.3% of the portfolio in 2012-2013.

In comparison, the Kivalliq Region with three out of seven communities serviced, holds \$3,236,435 or 28.5% of the portfolio.

The Kitikmeot's share of the portfolio, which represents three out of five communities for the region serviced, has a value of \$1,152,565 or 10.2% of the portfolio.

Community Perspective:

From a community perspective, Iqaluit, Nunavut's capital city, received the majority share of all NBCC credit facilities with a total of \$4,615,333 for 2012-2013 divided among 21 credit facilities. This accounts for 66.3% of the region's credit volume and 40.6% of NBCC's total portfolio.

Three other communities have significant credit disbursement volumes: Rankin Inlet, with \$1,667,530 divided among six credit facilities; Cape Dorset with \$1,283,084 divided among four credit facilities and Kugluktuk with \$692,271 representing one credit facility.

Rankin Inlet's total represents 51.5% of the total amount borrowed in the Kivalliq and 14.7% of the total portfolio. Cape Dorset, a Qikiqtaaluk community, holds 18.4% of that region's total and 11.3% of the total portfolio. Kugluktuk represents 60.1% of the Kitikmeot region's total and 6.1% of the total portfolio.

**Credit Facilities by Community
March 31, 2013**

Community	2012-2013			2011-2012		
	LOC	Loans	Amount (\$)	LOC	Loans	Amount (\$)
Qikiqtaaluk						
Cape Dorset	1	3	\$ 1,283,084	—	4	\$ 1,178,001
Clyde River	1	1	601,775	1	—	343,807
Iqaluit	4	17	4,615,333	5	19	5,162,632
Qikiqtarjuaq	—	1	465,061	—	1	495,969
Resolute Bay	—	—	—	—	1	189,767
Qikiqtaaluk—Total	6	22	6,965,253	6	25	7,370,176
Kivalliq						
Arviat	—	2	760,717	1	1	430,309
Coral Harbour	1	3	808,188	1	2	724,982
Rankin Inlet	1	5	1,667,530	—	6	1,059,335
Kivalliq — Total	2	10	3,236,435	2	9	2,214,626
Kitikmeot						
Cambridge Bay	—	4	461,294	—	3	243,998
Gjoa Haven	—	2	(1,000)	1	1	71,802
Kugluktuk	—	1	692,271	—	2	736,803
Kitikmeot—Total	—	7	1,152,565	1	6	1,052,603
Total Loan Portfolio	8	39	\$ 11,354,253	9	40	\$ 10,637,405

Note on Performance Measurement

NBCC's focus has been on strengthening its corporate governance and credit operations since 2010-11 when a set of manuals were developed which together represent NBCC's policy and accountability framework. The four manuals— Credit Management, Board Orientation, Accounting, and Administration and Conduct — have received Board and Ministerial approval. As part of NBCC's ongoing improvement, NBCC's policies and procedures are reviewed annually and updates are made as necessary. Any revisions to NBCC's policy and accountability framework are subject to Board and Ministerial approval. All manuals are subject to review to ensure they remain relevant to NBCC's current operating environment.

NBCC is also committed to developing quantifiable performance measures and annual reporting practices to enable an objective assessment of the corporation's success in fulfilling its statutory mandate to stimulate economic development and employment in Nunavut.

NBCC holds a strategic planning session of its Board annually to provide direction and identify priorities for the next three years. NBCC reports annually against its performance against these priorities.

Basic Lending Parameters

Canadian banks across the country, and particularly in Nunavut, generally do not provide lending services for start-ups or companies without a history of successful operation. This underscores the ongoing need for alternative financing institutions in Nunavut such as NBCC and its strategic partners. NBCC lends money within the following parameters:

The maximum level of support to any one enterprise or to a group of related enterprises is \$1 million;

The maximum term for a credit facility is five years and its amortization is generally 25 years; and

A business enterprise is eligible to apply for a credit facility if it is unable to obtain a credit facility with reasonable terms and conditions from a financial institution and is Nunavut-based.

The rate of interest is set at the cost of borrowing plus a premium of 0% - 5% based on the risk of the loan. The cost of borrowing is the rate in which the Government of Nunavut charges NBCC for its working capital loan. NBCC charges clients the interest rate in effect the first day of the quarter in which the NBCC Board has approved the credit facility plus the applicable risk rating.

Lender of Northern Opportunity



Nunavut Business Credit Corporation

will be the

financial solutions provider of choice

to Nunavut's business community.

From NBCC Strategic Plan 2010-2015, September 2009, p. 1.

NUNAVUT BUSINESS CREDIT CORPORATION

FINANCIAL STATEMENTS

For the year ended March 31, 2013

**Nunavut Business Credit Corporation
Financial Statements
March 31, 2013**

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Management Responsibility for Financial Reporting

The accompanying financial statements for Nunavut Business Credit Corporation (the Corporation) are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors.

The accompanying financial statements were prepared by management in accordance with Canadian public sector accounting standards. The financial statements also include some amounts, such as the allowance for losses on impaired loans and the provision for employee future benefits, which are based on management's best estimates and judgment.

In discharging its responsibility for the integrity, fairness and quality of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, proper records are maintained, and the Corporation complies with applicable laws and conflict of interest rules. These controls and practices help to ensure the orderly conduct of business, the accuracy of the accounting records, the timely preparation of financial information, and adherence to the Corporation's policies and statutory requirements.

The Board of Directors is responsible for ensuring that management fulfils 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.



Sherri Rowe, CGA
Chief Executive Officer

24 June 2013



INDEPENDENT AUDITOR'S REPORT

To the Minister of Economic Development and Transportation

Report on the Financial Statements

I have audited the accompanying financial statements of Nunavut Business Credit Corporation, which comprise the statement of financial position as at 31 March 2013, and the statement of operations, 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.

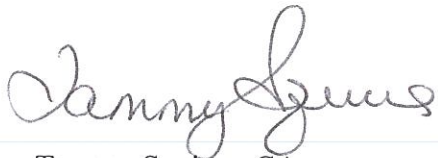
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nunavut Business Credit Corporation as at 31 March 2013, 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 Nunavut Business Credit Corporation and the financial statements are in agreement therewith. In addition, the transactions of 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 Nunavut Business Credit Corporation.



Tammy Squires, CA
Principal
for the Auditor General of Canada

24 June 2013
Ottawa, Canada


Nunavut Business Credit Corporation
Statement of Financial Position

As at March 31

	2013	2012
Financial assets		
Cash and cash equivalents (Note 4)	\$ 7,581,452	\$ 8,160,922
Accounts receivable	16,942	17,669
Due from the Government of Nunavut	7,655	7,327
Loans receivable (Note 5)	10,492,001	9,649,972
Loan charges receivable	16,461	22,089
Total financial assets	\$ 18,114,511	\$ 17,857,979
Liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 223,870	\$ 239,548
Due to the Government of Nunavut (Note 9)	18,209,676	18,220,565
Total liabilities	\$ 18,433,546	\$ 18,460,113
Net debt	\$ (319,035)	\$ (602,134)
Non-Financial assets		
Tangible capital assets (Schedule A)	\$ 35,511	\$ 26,781
Prepaid Expenses	8,299	6,928
Total non-financial assets	\$ 43,810	\$ 33,709
Accumulated deficit	\$ (275,225)	\$ (568,425)

Contractual obligations (Note 12)

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



 Greg Cayen, FCA
 Chair of the Board



 Sherri Rowe, CGA
 Chief Executive Officer

Nunavut Business Credit Corporation Statement of Operations

For the years ended March 31

	Budget 2013 (Note 14)	2013	2012
Revenues			
Interest income on loans receivable	\$ 685,000	\$ 666,176	\$ 782,361
Other interest income	-	94,919	48,127
Total revenues	\$ 685,000	\$ 761,095	\$ 830,488
Expenses			
Salaries and benefits	\$ 803,000	\$ 800,837	\$ 681,162
Interest expense on advance from Government of Nunavut (Note 9)	-	209,676	220,834
Professional fees	200,000	150,168	232,219
Advertising and promotion	173,952	128,295	51,328
Facilities expense	90,000	80,727	80,727
Travel	57,733	36,121	19,460
Office expense	55,000	35,815	39,028
Other expenses	100,000	22,506	19,970
Board honoraria	50,000	14,850	21,525
Board meetings	50,000	14,524	39,103
Amortization	10,000	7,687	9,606
Training and development	25,000	-	2,722
Recovery of credit losses	-	(182,568)	(183,727)
Total expenses	\$ 1,614,685	\$ 1,318,638	\$ 1,233,957
Deficit before Government contribution	\$ (929,685)	\$ (557,543)	\$ (403,469)
Contribution from Government of Nunavut			
Core Funding	\$ 798,000	\$ 743,183	\$ 736,174
Outreach Awareness Project (Schedule B)	102,642	81,279	-
Contribution from Government of Canada			
Community Outreach (Schedule C)	29,043	26,281	-
Surplus for the year	\$ -	\$ 293,200	\$ 332,705
Accumulated deficit—beginning of the year	(568,425)	(568,425)	(901,130)
Accumulated deficit—end of the year	\$ (568,425)	\$ (275,225)	\$ (568,425)

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 years ended March 31

	Budget 2013	2013	2012
	(Note 14)		
Surplus for the year	\$ -	\$ 293,200	\$ 332,705
Tangible capital assets (Schedule A)			
Additions	\$ -	\$ (16,417)	\$ (5,839)
Amortization	10,000	7,687	9,605
	\$ 10,000	\$ (8,730)	\$ 3,766
Net additions of prepaid expenses	-	(1,371)	(5,444)
Change in net debt	\$ -	\$ 283,099	\$ 331,027
Net debt—beginning of year	-	(602,134)	(933,161)
Net debt—end of year	\$ -	\$ (319,035)	\$ (602,134)

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

Nunavut Business Credit Corporation

Statement of Cash Flow

For the years ended March 31

	2013	2012
Cash provided by operating activities		
Interest on loans receivable	\$ 657,095	\$ 889,216
Government of Nunavut contributions	600,000	650,000
Other operations	108,250	2,578
GST rebate	17,669	25,185
Suppliers	(388,589)	(438,929)
Interest payments on Government of Nunavut advance	(220,565)	-
Interest on current bank account	94,591	40,799
Cash paid to the Government of Nunavut	(791,764)	(621,253)
Cash provided by operating activities	\$ 76,687	\$ 547,596
Cash provided by financing activities		
Working capital advance	\$ -	\$ 3,000,000
Cash provided by financing activities	\$ -	\$ 3,000,000
Cash (applied to) provided by investing activities		
Repayment of loans receivable	\$ 1,632,646	\$ 4,238,023
Fee repayments received	10,554	39,216
Disbursements of loans receivable	(2,282,940)	(2,081,992)
Cash (applied to) provided by investing activities	\$ (639,740)	\$ 2,195,247
Cash used for capital activities		
Tangible capital asset acquisitions	\$ (16,417)	\$ (5,839)
Cash used for capital activities	\$ (16,417)	\$ (5,839)
(Decrease) increase in cash	\$ (579,470)	\$ 5,737,004
Cash and cash equivalents - beginning of year	8,160,922	2,423,918
Cash and cash equivalents - end of the year (Note 4)	\$ 7,581,452	\$ 8,160,922

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 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 "arm's 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 last resort 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 authorized 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 business enterprises. In 2008, the Financial Management Board set the working capital advance limit to \$25 million. These advances are repayable to the Government of Nunavut 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. Adoption of new Canadian Public Sector Accounting Standards

Effective April 1, 2012 the Corporation adopted PS 3450 - Financial Instruments. This Section establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. There were no significant impacts of adopting this standard for the year ended March 31, 2013.

Effective April 1, 2012 the Corporation adopted the revised version of PS 3410 - Government Transfers. This revised Section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. There were no significant impacts of adopting this standard for the year ended March 31, 2013.

Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements

March 31, 2013

3. Significant Accounting Policies

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

(a) Cash and cash equivalents

Cash and cash equivalents is comprised of bank account balances, net of outstanding cheques and short-term term deposits. Surplus cash earns interest income based on the Government of Nunavut 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 known at the date these financial statements are prepared, including past events and current conditions.

(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:

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

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

(d) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recorded as incurred. Annual, in lieu and optional leave liabilities have been included in accrued liabilities.

(e) Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires the Corporation 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, the Corporation believes the estimates and assumptions to be reasonable. The more significant management estimates relate to allowances for losses on loans and employee future benefits.

**Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements**

March 31, 2013

3. Significant Accounting Policies (Continued)

(f) Financial instruments

Effective April 1, 2012 the Corporation adopted Public Sector Accounting Standards (PS) 3450 - Financial Instruments. As per the guidance in PS 3450, financial statements of prior periods and comparative information presented in these financial statements have not been restated upon adoption of this standard. Financial instruments are identified by financial asset and financial liability classifications. Derivatives and equity investments quoted in an active market are measured at fair value. All other 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 bases as at March 31, 2013.

Financial Assets	Measurement Basis
Cash and cash equivalents	Cost
Accounts receivable	Cost
Loans receivable	Amortized cost
Due from Government of Nunavut	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.

(g) Interest income on loans receivable

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. 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.

(h) 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 reasonable 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;

3. Significant Accounting Policies (Continued)

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 disbursements and accrual interest are current then the loan is no longer classified as impaired. All payments received on previously written off loans are recognized as revenue.

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.

(i) 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. 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 specially 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.

3. Significant Accounting Policies (Continued)

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

(j) 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.

(k) Employee future benefits

Pension benefits

Eligible employees of the Corporation are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through federal 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, 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, Corporation employees may earn severance and removal benefits based on years of service. These benefits are paid upon resignation, retirement or death of the 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.

(l) 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. Specific revenue accounting policies are as follows:

3. Significant Accounting Policies (Continued)

Transfers from the Government of Nunavut and others

Transfers are recognized as revenue 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. Funding is recognized as deferred revenue when funding stipulations give rise to a liability. Funding revenue is recognized in the Statement of Operations as the stipulation liabilities are settled. The Corporation does not have deferred revenue balances.

(m) Services provided without charge

Government of Nunavut provides certain administrative contributions and services provided without charge to the Corporation. Administrative contributions received are not repayable. The estimated value of these contributions and services are included in their related account balances.

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

Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements

March 31, 2013

4. Cash and cash equivalents

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 2013, the Corporation earned interest income of \$94,918 (2012 - \$48,127) with an average yield 1.17% (2012 - 1.37%).

As at March 31, 2013, cash and cash equivalents includes a trust advance of \$754,462 (2012 - \$Nil), which relates to an undisbursed loan receivable.

5. Loans receivable

As of March 31, 2013 loans receivable are expected to mature as follows:

Maturity Date	Annual Interest Rate	2013	Annual Interest Rate	2012
Impaired Loans	5.75% - 10.25%	\$ 645,595	5.75% - 10.25%	\$ 645,596
1 year	3.09% - 7.19%	3,390,913	4.25% - 8.25%	1,821,858
1 - 2 years	4.50% - 7.19%	1,855,974	5.75% - 7.19%	2,879,173
2 - 3 years	4.25% - 7.19%	1,944,546	4.50% - 7.19%	1,703,437
Over 3 years	5.09% - 6.56%	3,517,225	4.25% - 7.19%	3,587,341
		\$11,354,253		\$10,637,405
Accrued loan interest (Note 7)		131,673		189,060
		\$11,485,926		\$10,826,465
Less allowance for credit losses (Note 6)		993,925		1,176,493
		\$10,492,001		\$ 9,649,972

**Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements**

March 31, 2013

Regions	Annual Interest Rate	2013	Annual Interest Rate	2012
Performing				
Qikiqtaaluk	3.09%-7.19%	\$ 6,576,858	4.25%-8.00%	\$ 6,981,780
Kivalliq	4.50%-8.25%	2,979,235	4.50%-7.19%	1,957,425
Kitikmeot	5.98%-8.00%	1,152,565	6.02%-8.00%	1,052,604
		\$10,708,658		\$ 9,991,809
Impaired				
Qikiqtaaluk	5.75%-6.00%	\$ 388,395	5.75%-6.00%	\$ 388,395
Kivalliq	6.25%-10.25%	257,200	6.25%-8.50%	257,201
Kitikmeot	N/A	-	N/A	-
		\$ 645,595		\$ 645,596
Total		\$11,354,253		\$10,637,405
Qikiqtaaluk	3.09%-7.19%	\$ 6,965,253	4.25%-8.00%	\$ 7,370,175
Kivalliq	4.50%-10.25%	3,236,435	4.50%-8.50%	2,214,626
Kitikmeot	5.98%-8.00%	1,152,565	6.02%-8.00%	1,052,604
Total		\$11,354,253		\$10,637,405

6. Allowance for losses on loans

	2013	2012
<u>Specific Allowance</u>		
Balance, beginning of year	\$ 982,172	\$ 1,154,222
Change in provision for the year	(202,705)	(172,050)
Balance, end of year	\$ 779,467	\$ 982,172
<u>General Allowance</u>		
Balance, beginning of year	\$ 194,321	\$ 205,997
Change in provision for the year	20,137	(11,676)
Balance, end of year	\$ 214,458	\$ 194,321
Total Balance, end of year	\$ 993,925	\$ 1,176,493

**Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements**

March 31, 2013

7. Accrued interest receivable

	2013	2012
Performing	\$ 12,175	\$ 68,197
Impaired	119,498	120,863
	\$ 131,673	\$ 189,060

8. Accounts payable and accrued liabilities

	2013	2012
Trade payables	\$ 31,984	\$ 23,014
Payroll and benefits payable	150,461	176,609
Accrued liabilities	41,425	39,925
	\$ 223,870	\$ 239,548

9. Due to the Government of Nunavut

	2013	2012
Balance, beginning of year	\$18,220,565	\$14,999,731
Interest expense on advance for the year	209,676	220,834
Working capital advance	-	3,000,000
Amount repaid	(220,565)	-
Balance, end of year	\$18,209,676	\$18,220,565

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 2013, the rate varied from 1.03% to 1.44% (2012 - 0.99% to 2.04%).

There are no fixed repayment terms on the advances.

Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements

March 31, 2013

10. Employee future benefits

All eligible employees of the Corporation are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at year end was 1.64 (2012 - 1.74). Total contributions of \$67,194 (2012 - \$46,641) were recognized as expense in the current year.

The Government 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 indexed to inflation.

Severance and removal benefits

The Corporation provides severance benefits to its employees based on years of service and final salary. The Corporation also provides removal assistance to eligible employees, as provided under labour contracts. The estimate of these amounts for removal and severance is \$25,900 (2012 - \$24,400). This amount is included in accrued liabilities (Note 8)

11. 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 and investees is limited to the carrying amount of the loans and investments. The Corporation's management of credit exposures from borrowers and investees include:

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.
3. Limiting the concentration of loans and investments with any one business enterprise or group related enterprises to \$1 million.

The principal collaterals held as security and other credit enhancements for loans include: (i) various securities on assets; and (ii) corporate and personal guarantees.

**Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements**

March 31, 2013

11. Financial risk management (Continued)

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, 2013.

	2013	2012
Cash	\$ 7,581,452	\$ 8,160,922
Accounts receivable	16,942	17,669
Loan receivable, net of allowance	10,360,328	9,460,912
Accrued interest receivable	131,673	189,060
Loan charges receivable	16,461	22,089

At the end of 2013, there were no known relevant concentration of credit risk by type of customer or geography.

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 the 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. Changes in interest rates will also cause fluctuations in future cash flows of variable rate loans receivable total of \$1,012,407 (2012 - \$1,522,000) as well as interest revenue from cash.

The Corporation's borrowing from the Government is based on a variable market rate and it lends to its clients 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 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 variable rate loans and advances from the Government as at March 31, 2013 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease the surplus by \$188,000 (2012 - \$178,000). A 100 basis point decrease in interest rates would increase the surplus by the same amount.

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 Government.

Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements

March 31, 2013

12. Contractual obligations

Under loan agreements made before year end, the Corporation had commitments to make future loan disbursements on term loans of \$2,133,891 (2012 - \$1,105,000) due within the next fiscal year and on credit lines of \$1,423,694 (2012 - \$1,250,218) that are on demand with no established timelines.

The Corporation has a commitment for an operating lease which expires February 29, 2016 for an amount of \$80,727 per year.

13. Related party transactions

The Corporation is related in terms of common ownership to all Government of Nunavut created departments, agencies 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.

(a) Administration contribution

Under the terms of the Contribution Agreement between the Corporation and the Government of Nunavut, the Corporation receives a fixed contribution towards its direct administrative expenses.

	2013	2012
Operation contribution	\$600,000	\$600,000
Contributions in-kind: services provided without charge	143,183	136,174
	\$743,183	\$736,174

In addition, the Corporation undertook a project on outreach awareness for which a contribution from the Government of Nunavut was received in the amount of \$81,279 (Schedule B).

(b) Services provided without charge

The Corporation records in the financial statements an estimate of services provided by the Government without charge. Non-cash contributions from the Government include accounting and administrative support, regional and personnel services, office lease, utilities, insurances, and telephone and computer systems.

	2013	2012
Facilities expense	\$80,727	\$80,727
Office supplies and expenses	8,000	8,000
Insurance, risk management	3,970	3,619
Employee salary and benefits	50,486	43,828
	\$143,183	\$136,174

Nunavut Business Credit Corporation
Notes to Consolidated Financial Statements

March 31, 2013

14. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the main estimates approved by the Government of Nunavut and the Board of Directors and adjusted for amounts related to special projects.

Nunavut Business Credit Corporation

Schedules

Nunavut Business Credit Corporation
Schedule of Tangible Capital Assets

SCHEDULE A

			March 31, 2013	March 31, 2012
	Computer & office equipment	Office furniture & fixtures	Totals	Totals
Cost of tangible capital assets				
Opening Balance	\$ 109,863	\$ 27,791	\$ 137,654	\$ 131,815
Additions	16,417	-	16,417	5,839
Closing Balance	\$ 126,280	\$ 27,791	\$ 154,071	\$ 137,654
Accumulated amortization				
Opening balance	\$(86,559)	\$(24,314)	\$(110,873)	\$(101,268)
Amortization	(6,992)	(695)	(7,687)	(9,605)
Closing balance	\$(93,551)	\$(25,009)	\$(118,560)	\$(110,873)
Net book value	\$ 32,729	\$ 2,782	\$ 35,511	\$ 26,781
Amortization rate	30%	20%		

Outreach Awareness Project

	Budget 2013	March 31, 2013
Revenue		
Contribution from:		
Strategic Investment Program	\$102,642	\$ 82,114
Repayable to the Government of Nunavut	-	(835)
	\$102,642	\$ 81,279
Expenses		
Website update	\$ 49,959	\$ 46,460
Software upgrade	11,450	12,351
Logo public competition	11,000	8,949
Kitikmeot community outreach	11,000	7,015
Kivalliq travel and accommodations	4,233	4,358
Qikiqtaaluk travel and accommodations	3,500	2,021
Kitikmeot venue and translation	4,000	125
Kivalliq venue and translation	3,500	-
Qikiqtaaluk venue and translation	3,000	-
Logo design	1,000	-
	\$102,642	\$ 81,279
Total	\$ -	\$ -

Community Outreach and Market Development Project

	Budget 2013	March 31, 2013
Revenue		
Contribution from:		
Canadian Northern Economic Development Agency	\$29,043	\$26,281
	<hr/>	<hr/>
	\$29,043	\$26,281
<hr/>		
Expenses		
Advertising	\$24,815	\$21,953
Marketing	2,228	2,228
Registration fees	2,000	2,100
	<hr/>	<hr/>
	\$29,043	\$26,281
<hr/>		
Total	\$ -	\$ -
