

Nunavut Business
ᓄᓇᓂᓯ ᓇᓴᓯᓂᓴᓂᓄᓂᓴ



Credit Corporation
ᓯᓇᓂᓯᓴᓂᓴᓂᓴᓂᓴᓂᓴ

Lender of Northern Opportunity

2010-2011

ANNUAL REPORT

Lender of Northern Opportunity



Nunavut Business Credit Corporation

will be the

financial solutions provider of choice

to Nunavut's business community.

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	1
MESSAGE FROM THE CHAIR	2
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	3
MANDATE	4
MISSION	5
CORPORATE OVERVIEW	6
CORPORATE ACCOUNTABILITY CHART	11
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
FINANCIAL STATEMENTS	30
MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING	
AUDITOR'S REPORT	
BALANCE SHEET	
STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT	

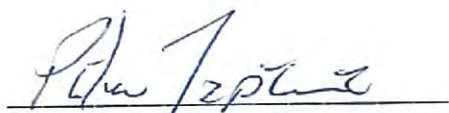
LETTER OF TRANSMITTAL

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, 2010 to March 31, 2011.

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, it is my pleasure to present the Annual Report for 2010-2011.

I would like to take this opportunity to thank Mr. Alex Buchan for his hard work and contribution in serving as Chair last year. I would also like to thank outgoing board members Alex Buchan (Cambridge Bay), Paul Quassa (Igloolik), Afzal Currimbhoy (Yellowknife), Sherril Minns (Moncton) and Andre Schroer (Port Credit) for their time and efforts in serving on the NBCC Board.

It has been another year of improvement and progress for the Corporation.

The Board of Directors, Chief Executive Officer and NBCC Staff have worked diligently to deal with the outstanding recommendations contained in the Auditor General of Canada's 2007 Report on the *"Audit of the Nunavut Business Credit Corporation Activities"*. I am pleased to advise that following several years of a denied opinion, NBCC received a positive opinion from the Auditor General of Canada for the 2009-2010 fiscal year.

In April 2010 Sherri Rowe was appointed interim Chief Executive Officer by Minister Taptuna. After a job competition lead by the Government of Nunavut Human Resources Department Minister Taptuna appointed Ms. Rowe Chief Executive Officer on an indeterminate basis in early 2011.

Minister Taptuna also appointed four new board members, Nancy Karetak-Lindell (Arviat), Donald Havioyak (Kugluktuk), Marg Epp (Cambridge Bay) and Wayne Solomon (Cambridge Bay). Each will serve a term of three years. Complementing the ongoing Board members, Tommy Owljoot (Arviat), Allan Lahure (Baker Lake) and myself, Greg Cayen (Iqaluit), the Board now has strong representation from each of the territory's three regions consistent with NBCC's mandate

During the year, the Board approved a Credit Management Manual, Board Orientation Manual, Administration and Conduct Manual and Accounting Manual. All manuals have received Ministerial Approval.

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

Sincerely, 
Gregory D. Cayen, FCA

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am very pleased to have this opportunity to provide the 2010-2011 year-end results for Nunavut Business Credit Corporation (NBCC) and provide some reflection on the year past with a look ahead.

NBCC opened the fiscal year with a number of clear challenges. The corporation had not yet emerged from a series of denied opinions by the Auditor General of Canada. Efforts over prior years had been insufficient to satisfactorily address her concerns. NBCC's ability to actively pursue its mandate and broaden its lending activities would remain hindered until it could achieve a positive audit opinion and begin restoring its reputation as a preferred "lender of northern opportunity". NBCC also lacked the internal capacity to facilitate these re-building efforts and to adequately support its current operations and desired growth. In response, a Ministerial Directive was issued April 15, 2010 requiring the Department of Economic Development and Transportation to assume a lead role in facilitating NBCC's turnaround.

Yet NBCC closed the year having made significant strides. On April 11, 2011, it was announced that NBCC achieved a positive audit opinion from the Auditor General with respect to its 2009-10 fiscal year-end, representing a critical break from its troubled past. Essential financial controls including a strong policy framework have been established. The corporation has also revised its organizational structure and updated its internal resource requirements. Two managerial positions are now filled on an indeterminate basis and staffing efforts to fill other key roles are progressing. During the year, NBCC also updated its marketing efforts and enjoyed a prominent presence at each regional Trade Show, meeting with existing and future clients from across the territory.

These successes are largely due to the strong support and focus from NBCC's Board of Directors and the Minister Responsible for NBCC. Working closely with both, NBCC's senior management was able to set clear priorities and provide timely progress updates. I have been involved in NBCC's turnaround since early April 2010 and, with my formal appointment as Chief Executive Officer in early 2011, I am very excited to play a role in NBCC's future development building on the solid foundation that has been firmly established. I look forward to seeing NBCC reach its full potential in fostering economic development of the territory and delivering further benefits to Nunavummiut.

Yours truly,
Sherri Rowe, CGA



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 (the Board). The Commissioner-in-Executive Council appoints members of NBCC's Board of Directors 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 2010-2011 is shown below.

BOARD OF DIRECTORS			
Position	Member	Location	Term End
Greg Cayen, FCA	Chair	Iqaluit	May 31, 2012
Marg Epp	Director	Cambridge Bay	June 24, 2013
Donald Havioyak	Director	Kugluktuk	June 24, 2013
Nancy Karetak-Lindell	Vice Chair	Arviat	June 24, 2013
Allan Lahure	Director	Baker Lake	Sep 16, 2011
Tommy Owljoot	Director	Arviat	May 31, 2012
Wayne Solomon	Director	Cambridge Bay	June 24, 2013

Lender of Northern Opportunity



NBCC Board of Directors & Staff



Allan Lahure (Director), Sherri Rowe (CEO), Angela Barkhouse-McPherson (Staff), Marg Epp (Director), Donald Haviyok (Director), Honourable Peter Taptuna (Minister), Nancy Karetak-Lindell (Director), Greg Cayen (Chair), Alicia Manning (Staff), Kyle St. Laurent (Staff), Tommy Owlijoot (Director). Missing from photo: Wayne Soloman (Director)

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 2010-2011, 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:

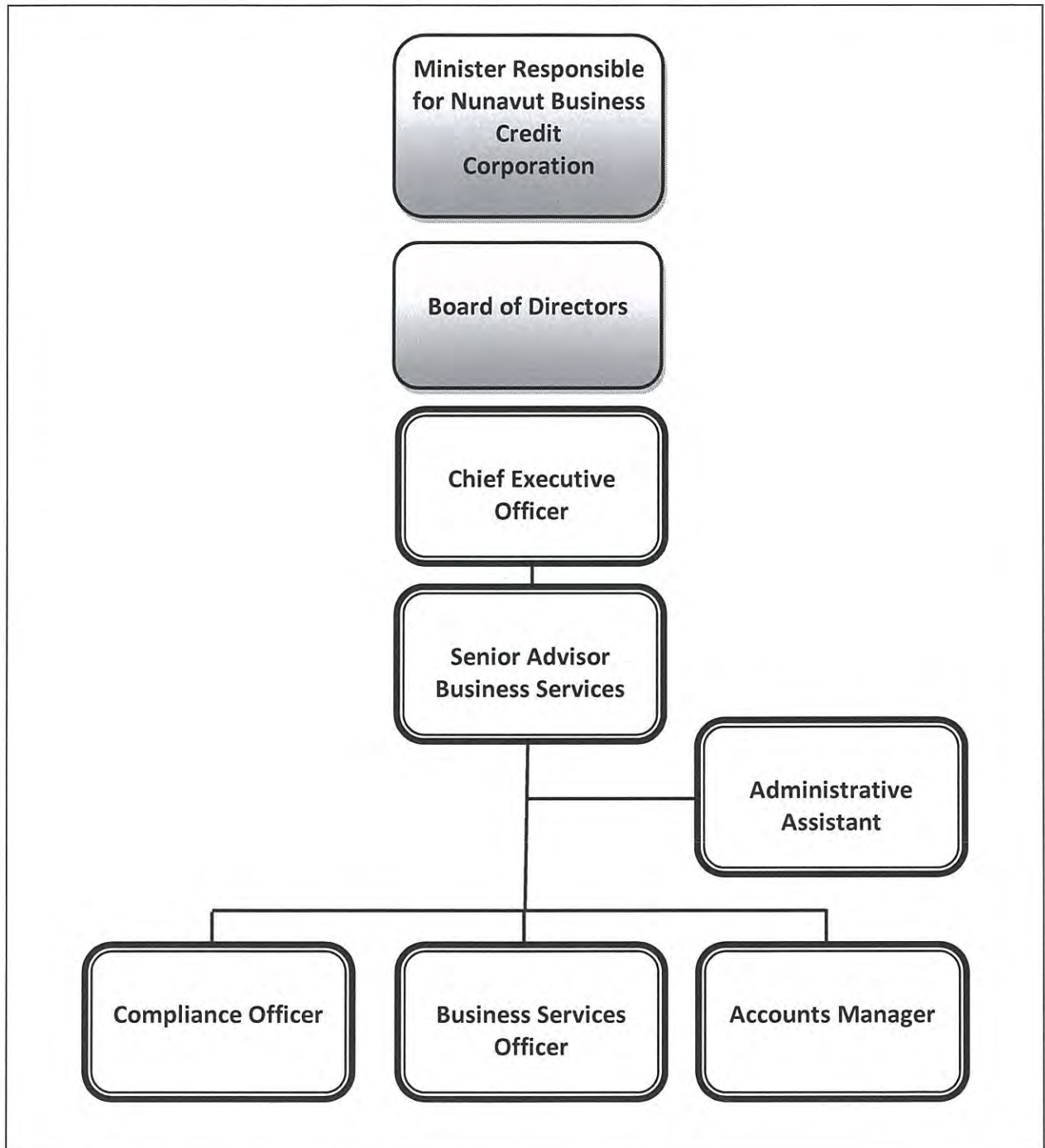
- Chief Executive Officer;
- Senior Advisor, Business Services
- Compliance Officer
- Business Services Officer
- Accounts Manager
- Administrative Assistant

As of March 31, 2011, only two of these positions was filled on an indeterminate basis. 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.

Lender of Northern Opportunity



NBCC Staff



Angela Barkhouse-McPherson has worked with NBCC for five years. Angela is often the first person new clients meet when seeking financial assistance for their new or expanding businesses. She works closely with NBCC's ongoing clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE YEAR IN REVIEW

NBCC opened the 2010-2011 fiscal year facing the same challenges as it had in the previous years with much lingering uncertainty about its ability to adequately address significant concerns raised by the Auditor General of Canada and whether it could successfully emerge from a series of denied opinions since 2005-2006. NBCC had struggled to maintain its operations amid negative media reports throughout this period. Its internal capacity was weak and yet the task to overcome these challenges required considerable focus and expertise to re-build operations and re-establish its position as a preferred "lender of northern opportunity". In early 2010, a Ministerial Directive was issued instructing the GN Department of Economic Development and Transportation to assume a lead role in facilitating NBCC's turnaround.

Almost exactly a year later, the Auditor General announced that NBCC had obtained a positive audit opinion with respect to its 2009-2010 fiscal year, a key milestone marking a critical break from its troubled past. The efforts to achieve this were considerable through 2010-2011 and included a complete review of all loan files and documentation due to an accumulation of errors and reported deficiencies, updates and verification of its loan management system and development of a new policy and operating framework. Internal capacity has also been enhanced with the appointment of a Chief Executive Officer and hiring of a Senior Advisor, Business Services on an indeterminate basis. Together, these achievements are very foundational but, now in place, will ensure a stronger environment to support NBCC's ongoing operations and future growth.

LOOKING AHEAD

Much work remains for NBCC such as the implementation of its Strategic Plan, the transition to Public Section Accounting Standards and ongoing efforts to improve its service delivery to the business community across Nunavut.

KEY HIGHLIGHTS

The key highlights of this Annual Report for NBCC's 2010-2011 fiscal year are:

- The emergence of the corporation from a series of denied opinions with the announcement on April 11, 2011 that its 2009-2010 fiscal year had received a positive opinion from the Auditor General of Canada;
- The hiring of two key roles—Chief Executive Office and Senior Advisor, Business Services on an indeterminate basis to provide much needed stability and internal capacity.
- The establishment of a risk-based interest rate along pre-determined parameters to adequately protect the corporation for higher risk client loans and earn sufficient return to cover its own lending costs;

MINISTERIAL DIRECTIVES

Section 78 (7) of the *Financial Administration Act* requires the NBCC to report any directive given during the year. Such directives are noted below.

2010-2011

Due to insufficient progress in addressing concerns first raised by the Auditor General of Canada in 2007 and successive denials of opinion, a second Ministerial Directive was issued on April 15, 2010 by the Honourable Peter Taptuna, Minister Responsible for NBCC, instructing the GN Department of Economic Development & Transportation to play a role in facilitating NBCC's turnaround. Working with NBCC's Board of Directors, the department was directed to establish a Memorandum of Understanding setting out each party's duties to oversee NBCC's activities until such time as a CEO could be appointed.

On January 24, 2011, Sherri Rowe, a long time GN employee with significant experience in financial management and a professional accountant was appointed as Chief Executive Officer.

2007-2008

The need for closer oversight of NBCC's activities was laid out in the Auditor General of Canada's *Report to the Legislative Assembly 2007 – "Audit of the Nunavut Business Credit Corporation Activities"* and her subsequent denial of opinion for NBCC's 2005-2006 fiscal year in November of 2007*. On January 18, 2008, the Honourable Louis Tapardjuk, Minister of Finance, issued to NBCC a directive requesting submission of monthly management and financial reports and Board approved quarterly management and financial reports to the Department of Finance. The NBCC was further directed to undergo quarterly reviews of its finances, including an examination of its credit facility portfolio, by the Internal Audit Services Branch of the Department of Finance. This directive is to remain in place until such time as the NBCC has demonstrated that it can manage its own financial affairs through an unqualified audit opinion.

On April 11, 2011, the Auditor General announced that NBCC had received a positive audit opinion except for its failure to report within its statutory deadline.

On October 14, 2011, the Honourable Keith Peterson, Minister of Finance, with full concurrence of Cabinet revoked the directive on the basis of NBCC's remarkable progress in addressing its noted deficiencies and the renewed confidence in its abilities to manage its operations and finances appropriately.

*NBCC has received a denial of opinion by the Auditor General of Canada each year subsequent until 2009-2010.

SUMMARY OF FINANCIAL RESULTS

The following summary examines NBCC's financial results for the period from April 1, 2010 to March 31, 2011. The year ended with a net income (loss) and comprehensive income (loss) of (\$494,877) versus \$385,237 in 2009-2010. This decrease of \$880,114 was due to a number of factors including:

Revenue after interest paid to the Government of Nunavut was \$247,833; (PY: \$1,334,496) amounting to a decrease from the previous year of \$1,086,663. This is a result of a large fluctuation of the loan allowance. The previous fiscal year had a recovery of credit losses of \$772,064 compared to this fiscal year which shows a Provision for credit losses in the amount of (\$364,141).

Total expenses including amortization were \$1,328,297 (PY: \$1,535,717) amounting to a decrease of \$207,420 over the previous year. This decrease is an accumulation of several factors but, of most significance, there was a reduction in Board-related expenses specifically meetings and honoraria (\$181,226) and a decrease in travel (\$49,138) as well as decreases in advertising and promotion (\$70,183), other expenses (\$37,912) and professional fees (\$24,315). These were offset by an increase in salaries and benefits (\$157,259) for the year.

Statement of Operations, Comprehensive Income and Deficit

Interest revenue on the portfolio in 2010-2011 was \$863,204 (PY: \$850,577). In the 2010-2011 fiscal year, accumulated interest of \$278,940 was paid out on the Working Capital Advance from the Government of Nunavut (PY: \$314,462) at an average interest rate of 1.88% (PY: 1.78%).

The gross margin on lending (income from lending less the cost of capital) for 2010-2011 was \$220,123 (PY: \$1,308,179). This was an overall decrease of \$1,088,056 from the previous year.

Signifies "prior year" and refers to the 2008-2009 fiscal year.

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 2010-2011, which includes both general and specific provisions, was \$1,360,219 (PY: \$1,017,502) which represents a net increase of \$342,717 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 2010-2011 seven credit facilities were declared impaired with a provision for losses of \$1,154,222 (PY: \$802,764); which represents an increase of \$351,458 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 2010-2011, it was \$205,997 (PY: \$214,738).

The change between these years represents a decrease of \$8,741 (PY: (\$59,723)). This change was for the most part due to the increase in the specific allowance which reduces the balance that the general allowance was calculated from.

Loans Written Off

During the year, the Board of Directors authorized the write-off of one client loan. (PY: \$ Nil). The loan to Avataq Enterprises (Kivalliq Region) in the amount of \$19,937 (plus suspended interest) was written off. No recoveries were made on loans written off in previous years (PY: \$Nil).

Disposal of Capital Assets

In 2010-2011, no capital assets were disposed. In 2009-2010, there was a correcting adjustments of \$14,510 to reduce NBCC's reported capital assets to correct for errors found during a review of capital asset schedules from 2005-2006 to 2008-2009.

PORTFOLIO PERFORMANCE

Portfolio Activity

The focus in 2010-2011 was ensuring activity with respect to NBCC's overall credit facility portfolio contributed to efforts necessary for a positive audit opinion consistent with the Minister's Directive. As such, efforts to address reported concerns and deficiencies contained within the existing facilities took more of a central role throughout the 2010-2011 fiscal year. As such, new credit facilities were considered only to the extent they could be addressed within NBCC's limited internal capacity and resources while these remedial efforts were underway. That said, 11 new loans were still issued during the 2010-2011 fiscal year. This is a tremendous achievement given the re-building efforts that were underway concurrently throughout the year.

Seven loans were also repaid during the year; six loans through customized or balloon payments and one loan through regular payments.

At the end of the fiscal year, the portfolio stood at \$12.71 million, an increase of \$0.34 million or 2.7% over the previous (PY: \$12.38 million).

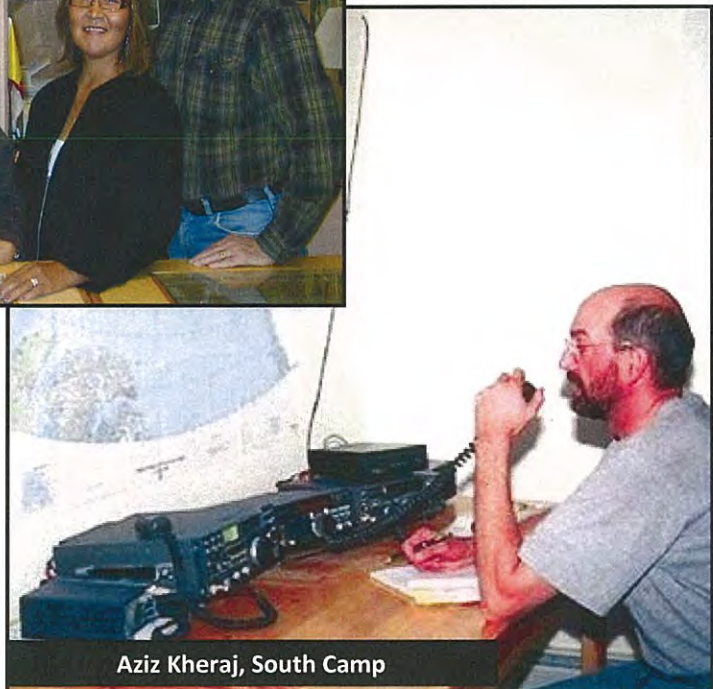
Lender of Northern Opportunity



NBCC Clients



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



Aziz Kheraj, South Camp

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 twelve new credit facilities for a total of \$3,916,000 (PY: \$2,183,000) during the year.

Repaid Credit Facilities

Regular loan repayments in 2010-2011 amounted to \$4,363,393.11; included in that amount is a total of \$870,299.92 in customized and balloon payments to pay out six loans.

New loan disbursements for 2010-2011 amounted to \$3,786,462.06 (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 2010-2011, there were credit facilities in Cambridge Bay, Gjoa Haven and Kugluktuk in the Kitikmeot region, Arviat, Chesterfield Inlet, Coral Harbour and Rankin Inlet in the Kivalliq and Cape Dorset, Clyde River, Iqaluit, Qikiqtarjuaq and Resolute Bay in the Qikiqtaaluk region.

Industrial Perspective

In terms of performing credit facilities by industry sectors supported, NBCC's loan portfolio is most concentrated in the Construction, (\$2.95 million), Service (\$1.81 million), Retail (\$ 1.79 million) sectors and Real Estate (\$1.69 million). With the Hospitality and Fishery sectors follow closely behind (\$1.47 million and \$0.95 million respectively). Finding opportunities to diversify its portfolio with other industries continues to be a priority for NBCC.

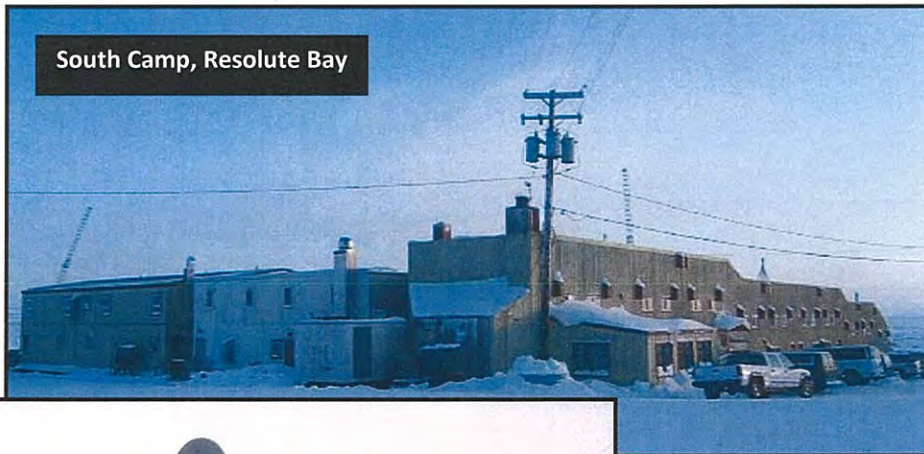
NBCC understands the need to diversify Nunavut's economy and will continue to engage its strategic partners within the Nunavut Economic Forum and work with other funding agents in Nunavut to assist businesses in accessing the financing they need. Central to NBCC's efforts on this score is the promotion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

Lender of Northern Opportunity

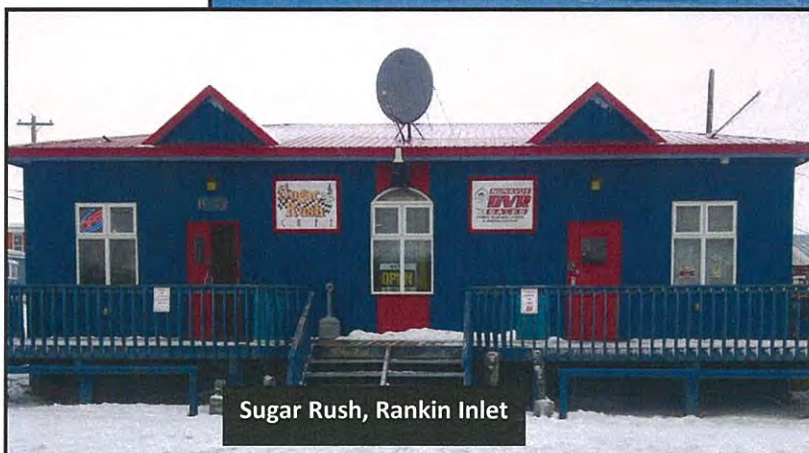


**Businesses NBCC has supported
through its lending activities**

South Camp, Resolute Bay



Sugar Rush, Rankin Inlet



**Credit Facilities by Industry Sector
March 31, 2011**

Industry Sector	2010-2011			2009-2010		
	LOC	Loans	Amount (\$)	LOC	Loans	Amount (\$)
Performing Loans						
Communication	—	4	\$ 697,325	—	5	\$ 976,300
Construction	5	8	2,949,134	4	6	1,839,801
Finance	—	1	(33)	1	—	600,375
Fishery	—	2	947,985	—	—	—
Hospitality	—	6	1,468,908	—	6	1,510,697
Real Estate	—	4	1,691,354	—	4	2,104,965
Retail	2	6	1,790,352	3	6	2,343,733
Service	—	5	1,812,787	—	5	1,319,122
Tourism	—	1	227,823	—	2	92,679
Transportation	—	1	46,639	—	1	80,474
Total Performing	7	38	\$ 11,632,274	8	35	\$ 10,868,146
Non Performing	1	6	1,082,718	1	7	\$ 1,507,218
Total Loan Portfolio	8	44	\$ 12,714,992	9	42	\$ 12,375,364

Regional Perspective

The Qikiqtaaluk Region received most of NBCC's support with five of thirteen communities serviced, a total of \$8.2 million in credit facilities, or 64.7% of the portfolio in 2010-2011.

In comparison, the Kivalliq Region with four out of seven communities serviced, holds \$3.4 million, or 27.1% 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 \$1.0 million, or 8.2% 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 \$6.0 million for 2010-2011 divided among 25 credit facilities. This accounts for 73.2% of the region's credit volume and 47.3% of NBCC's total portfolio.

Three other communities have significant credit disbursement volumes: Rankin Inlet, with \$2.3 million divided among six credit facilities; Cape Dorset with \$1.1 million divided among four credit facilities and Kugluktuk with \$0.8 million divided among two credit facilities.

Rankin Inlet's total represents 66.3% of the total amount borrowed in the Kivalliq and 18.0% of the total portfolio. Cape Dorset, a Qikiqtaaluk community, holds 13.1% of that region's total and 8.5% of the total portfolio. Kugluktuk represents 75.2% of the Kitikmeot region's total and 6.1% of the total portfolio.

**Credit Facilities by Community
March 31, 2011**

Community	2010-2011			2009-2010		
	LOC	Loans	Amount (\$)	LOC	Loans	Amount (\$)
Qikiqtaaluk						
Arctic Bay	—	—	\$ —	—	1	\$ 141,230
Cape Dorset	1	3	1,075,317	1	3	1,104,469
Clyde River	1	—	387,871	1	—	429,151
Iqaluit	3	22	6,020,733	5	19	5,529,539
Qikiqtarjuaq	—	1	497,985	—	—	—
Resolute Bay	—	1	244,347	—	1	294,199
<u>Qikiqtaaluk—Total</u>	5	27	8,226,253	7	24	7,498,588
Kivalliq						
Arviat	1	1	392,674	1	1	429,811
Coral Harbour	1	2	769,683	—	2	633,476
Chesterfield Inlet	—	1	(604)	—	1	119,985
Rankin Inlet	—	6	2,287,931	—	7	2,305,134
<u>Kivalliq — Total</u>	2	10	3,449,684	1	11	3,488,406
Kitikmeot						
Cambridge Bay	—	3	74,009	—	3	214,076
Gjoa Haven	1	2	183,710	1	2	343,433
Kugluktuk	—	2	781,336	—	2	830,861
<u>Kitikmeot—Total</u>	1	7	1,039,055	1	7	1,388,370
Total Loan Portfolio	8	44	\$ 12,714,992	9	42	\$ 12,375,364

Note on Performance Measurement

NBCC's focus has been on strengthening its corporate governance and credit operations and, during 2010-2011, its senior management developed a set of manuals which together represent NBCC's policy and accountability framework. These have been approved by the Board and will undergo periodic 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.

In 2010-2011, NBCC considered ways in which it can enhance its loan approval process to include job creation reporting requirements to substantiate the number of jobs that projects financed by NBCC will create or maintain. These efforts are ongoing.

Further, NBCC has also begun to work with its strategic partners on addressing the need to collect more substantive data on which sectors and what size of business should be the focus of the corporation's lending activities.

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.

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, 2011

**NUNAVUT BUSINESS CREDIT CORPORATION
FINANCIAL STATEMENTS
March 31, 2011**

INDEX

	Page
MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING	34
AUDITOR'S REPORT	36
FINANCIAL STATEMENTS	38
Balance Sheet	
Statement of Operations, Comprehensive Income and Deficit	
Statement of Cash Flows	
Notes to Financial Statements	

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 generally accepted accounting principles. 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
Chief Executive Officer
15 December 2011



INDEPENDENT AUDITOR'S REPORT

To the Minister Responsible for the 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 balance sheet as at 31 March 2011, and the statement of operations, comprehensive income and deficit and statement of cash flows 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 generally accepted accounting principles, 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

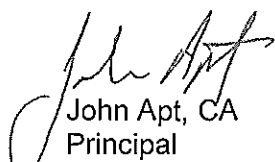
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nunavut Business Credit Corporation as at 31 March 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the 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 the bylaws of the Nunavut Business Credit Corporation with the exception that the Nunavut Business Credit Corporation did not meet its statutory deadline for submitting its annual report as described in the following paragraph.

Under section 100(1) of the *Financial Administration Act* of Nunavut, the Nunavut Business Credit Corporation is required to submit its annual report to the appropriate Minister no later than 90 days after the end of its financial year, or an additional period, not exceeding 60 days that the Minister of Finance may allow. The Nunavut Business Credit Corporation did not meet its statutory deadline for submitting its annual report.



John Apt, CA
Principal
for the Auditor General of Canada

15 December 2011
Ottawa, Canada

NUNAVUT BUSINESS CREDIT CORPORATION

BALANCE SHEET

As at March 31 2011 2010

ASSETS

Current Assets

Cash (Note 4)	\$	2,423,918	\$	2,834,814
Accounts receivable		27,969		54,045
Prepaid expenses		1,484		18,473
Receivable from the Government of Nunavut		50,000		496,145

2,503,371 3,403,477

Loans receivable (Note 5)		12,714,992		12,375,364
Allowance for losses on loans (Note 6)		(1,360,219)		(1,017,502)
Accrued interest receivable (Note 8)		374,861		385,782
Loan charges receivable		44,199		45,916

11,773,833 11,789,560

Capital Assets (Note 9)		30,547		41,578
-------------------------	--	--------	--	--------

\$ 14,307,751 \$ 15,234,615

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable and accrued liabilities	\$	209,150	\$	326,405
Advance from the Government of Nunavut (Note 10)		14,999,731		15,314,463

15,208,881 15,640,868

Equity

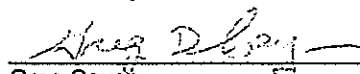
Deficit		(901,130)		(406,253)
---------	--	-----------	--	-----------

\$ 14,307,751 \$ 15,234,615

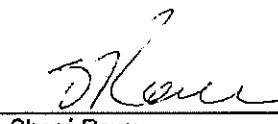
Loan Commitments (Note 16)

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

Approved by:



 Greg Cayen
 Chair of the Board



 Sherri Rowe
 Chief Executive Officer

NUNAVUT BUSINESS CREDIT CORPORATION

STATEMENT OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT

For the Year Ended March 31	2011	2010
Revenue		
Interest income on loans receivable	\$ 863,204	\$ 850,577
Interest expense on advance from the Government of Nunavut (Note 10)	(278,940)	(314,462)
	584,264	536,115
Recovery (Provision) of credit losses	(364,141)	772,064
	220,123	1,308,179
Other interest income	27,710	26,317
	247,833	1,334,496
Expenses		
Salaries and benefits	669,723	512,464
Professional fees	262,347	286,662
Other expenses	162,670	200,582
Facilities expense	80,727	80,727
Office expense	43,800	40,692
Board meetings	32,876	165,727
Advertising and promotion	26,532	96,715
Travel	18,279	67,417
Board honoraria	14,625	63,000
Amortization	12,316	9,120
Training and development	4,402	12,611
	1,328,297	1,535,717
Net loss from operations before Government contributions	(1,080,464)	(201,221)
Contributions from the Government of Nunavut (Note 17)	585,587	586,458
Net income (loss) and comprehensive income (loss)	(494,877)	385,237
Deficit, beginning of year	(406,253)	(791,490)
Deficit, end of year	\$ (901,130)	\$ (406,253)

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

NUNAVUT BUSINESS CREDIT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended March 31	2011	2010
Operating Activities		
Cash receipts from interest on loans receivable	\$ 852,051	\$ 827,424
Contributions from the Government of Nunavut	895,000	45,000
Other cash receipts	12,458	25,645
GST rebate received	47,209	28,182
Cash paid to suppliers and employees	(762,278)	(1,162,557)
Cash paid to Government of Nunavut	(609,884)	(514,763)
Interest paid to the Government of Nunavut	(593,540)	(2,880,948)
Interest received on current bank account	23,208	25,243
Cash (Used in) Operating Activities	(135,776)	(3,606,774)
Financing Activities		
Repayment of advance to the government of Nunavut	—	(792,826)
Investing Activities		
Repayment of loans receivable	3,446,835	3,364,766
Repayment of fees receivable	64,507	91,501
Disbursements of loans receivable	(3,786,462)	(662,627)
Purchase of capital assets	—	(20,834)
Cash (Used in) Provided by Investing Activities	(275,120)	2,772,806
Net (Decrease) in Cash	(410,896)	(1,626,794)
Cash, beginning of the year	2,834,814	4,461,608
Cash, end of the year	\$ 2,423,918	\$ 2,834,814

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

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

1. The Corporation

(a) Authority

The Nunavut Business Credit Corporation (Corporation) is a territorial corporation wholly owned by the Government of Nunavut (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 its legal and operational structure. The Corporation functions under the auspices of the Government's Department of Economic Development and Transportation (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 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 or forgivable loans and cannot make equity investments.

(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. Significant Accounting Policies

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

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2.1 Cash

Cash is comprised of bank account balances (net of outstanding cheques). Surplus cash earns interest income based on the Government of Nunavut bank interest rate.

2.2 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.

2.3 Capital Assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis using the following rates:

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

Assets are amortized starting the month after they are purchased to the month after they are sold.

2.4 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

2.5 Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. By their nature, these estimates 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. Significant management estimates include the allowances for losses on loans, the fair value of financial instruments, services received without charge and employee future benefits.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. Significant Accounting Policies (Continued)

2.6 Financial Instruments—Recognition and Measurement

Upon initial recognition, financial assets and financial liabilities are required to be measured at their fair value except for certain related party transactions which are required to be measured at the carrying amount or exchange amount. Subsequent measurement will depend on their initial classification. All financial instruments are classified into one of the following categories: financial assets as held-for-trading, held-to-maturity, available-for-sale, or as loans and receivables, and financial liabilities as held-for-trading, or as other financial liabilities. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are recognized in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is de-recognized or impaired at which time the amounts would be recognized in net income. Financial assets held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost using the effective interest rate method.

The Corporation has elected the following Balance Sheet classifications with respect to its financial assets and financial liabilities:

- Cash is classified as “held-for-trading” and is subsequently measured at fair value with gains and losses arising from changes in the fair value recognized in net income in the period in which they arise. The fair value of cash approximates the carrying amount due to the short term to maturity.
- Accounts receivable, loans receivable, accrued interest receivable, loan charges receivable and advance from the Government of Nunavut are classified as “loans and receivables” and are subsequently measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities and amount payable to the Government of Nunavut are classified as “other financial liabilities” and are subsequently measured at amortized cost using the effective interest method. At inception, the estimated fair values of accounts payable and accrued liabilities are assumed to approximate their carrying amounts. The amounts due to the Government of Nunavut which are considered related party transactions are measured at their carrying value or exchange amounts. Trade date accounting is used for financial assets and liabilities.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. Significant Accounting Policies (Continued)

2.6 Financial Instruments—Recognition and Measurement

Fair Value

Financial assets and financial liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input that is significant to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1 – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.
- Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

2.7 Revenue Recognition: 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.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

Significant Accounting Policies (Continued)

2.8 Loans Receivable

A loan is classified as impaired when one or more of the following conditions exist:

- in the opinion of management, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of the timely collection of the full amount of principal and interest; or
- 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; or
- principal or interest is twelve months past due regardless of whether the loan is well secured or not; or
- principal or interest is three months past due, if the loan has been previously re-structured.

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 accrued 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. Rescheduled loans are considered performing unless they meet the criteria of impaired loans. When an impaired loan is restored 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.

2.9 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 both a general and a specific component.

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 multiplied by 2% less payout of loan balances after year end.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. Significant Accounting Policies (Continued)

2.9 Allowance for Losses on Loans (continued)

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.

2.10 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.

2.11 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 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 conditions of employment, eligible employees may earn non-pension benefits for resignation, retirement and removal costs based on years of service. The benefits are paid upon resignation, retirement or death of an employee. The expected cost of providing these benefits is recognized as employees render service and has been determined based on management's assumptions and best estimates. The Corporation provides severance and retirement benefits to eligible employees based on years of service and final salary, and removal benefits based on years of service and their community of residence. These benefits represent the only employee future benefit obligation of the Corporation that entails settlement by future payment.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

2. Significant Accounting Policies (Continued)

2.12 Contributions from the Government and Services Provided Without Charge

Government contributions are recognized in the year when the contribution is approved by the Government and the related expenses are incurred.

The 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 to the Corporation. No amount has been recognized in these financial statements in respect to the services provided.

3. Future Accounting Changes

In December 2009, the Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards of the PSA Handbook. This amendment eliminated the Government Business Type Organizations (GBTTO) classification and entities currently classified as a GBTTO are required to re-assess their classification.

Under the revised introduction, the Corporation is classified as an Other Government Organization (OGO). As an OGO, the Corporation has determined the most appropriate basis of accounting to meet the needs of the users of its financial statements to be the standards issued by the Public Sector Accounting Board. The Corporation will adopt the standards issued by the Public Sector Accounting Board for its fiscal year beginning April 1, 2011. The Corporation is currently evaluating the impact of the adoption of these standards.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

4. 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 2011, the Corporation earned interest income of \$24,641 (2010 - \$23,273) with an average yield 1.88% (2009 - 0.48%).

5. Loans Receivable

Performing		2011		2010	
Region	Annual Interest Rate			Annual Interest Rate	
Qikiqtaaluk	4.25% - 8.00%	\$	7,400,736	2.57% - 8.00%	\$ 6,218,936
Kivalliq	4.50% - 8.25%		3,192,483	4.50% - 8.25%	3,260,840
Kitikmeot	5.56% - 8.00%		1,039,055	5.75% - 8.00%	1,358,931
			\$ 11,632,274		
				\$ 10,838,707	

Impaired		2011		2010	
Region	Annual Interest Rate			Annual Interest Rate	
Qikiqtaaluk	5.75% - 8.00%	\$	825,517	5.75% - 8.00%	\$ 1,279,652
Kivalliq	6.25% - 10.25%		257,201	8.50% - 10.25%	227,566
Kitikmeot	N/A		-0-	6.25% - 6.25%	29,439
			\$ 1,082,718		
				\$ 1,536,657	

Total		2011		2010	
Region	Annual Interest Rate			Annual Interest Rate	
Qikiqtaaluk	4.25% - 8.00%	\$	8,226,253	2.57% - 8.00%	\$ 7,498,588
Kivalliq	4.50% - 10.25%		3,449,684	4.50% - 10.25%	3,488,406
Kitikmeot	5.56% - 8.00%		1,039,055	5.75% - 8.00%	1,388,370
			\$ 12,714,992		
				\$ 12,375,364	

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

5. Loans Receivable (Continued)

As at March 31, 2011 loans receivable are expected to mature as follows

Maturity date	Annual Interest Rates		2011
Impaired Loans	5.75% - 10.25%	\$	1,082,718
2012	4.25% - 8.00%		4,520,044
2013	4.25% - 8.25%		1,753,903
2014	5.75% - 6.75%		1,641,225
2015 and thereafter	4.25% - 6.56%		3,717,102
		\$	12,714,992

6. Allowances for Losses on Loans

Specific Allowance	2011		2010	
Balance, beginning of Year	\$	802,764	\$	1,515,105
Change in provision for the year		371,395		(712,341)
Less loan written off		(19,937)		0
Balance, end of year	\$	1,154,222	\$	802,764
General Allowance	2011		2010	
Balance, beginning of Year	\$	214,738	\$	274,461
Change in provision for the year		(8,741)		(59,723)
Balance, end of year		205,997		214,738
Total Balance, end of year	\$	1,360,219	\$	1,017,502

7. Write-offs in the Year

During the year, the Board of Directors authorized the write-off of a loan totalling \$ 19,937 (2010 - \$NIL). No recoveries were made on loans written off in previous years.

8. Accrued Interest Receivable

	2011		2010	
Performing	\$	212,234	\$	35,695
Impaired		162,627		350,087
	\$	374,861	\$	385,782

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

9. Capital Assets

			2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value		
Computer & Office Equipment	\$ 104,024	\$ 77,823	\$ 26,201	\$ 37,431		
Office Furniture & Fixtures	27,791	23,445	4,346	4,147		
	\$ 131,815	\$ 101,268	\$ 30,547	\$ 41,578		

10. Advance from the Government of Nunavut

	2011		2010	
Advance Balance, Beginning of Year	\$ 15,314,463	\$ 18,673,775		
Interest Expense on Advance for the Year	278,940	314,462		
Amount Repaid	(593,672)	(3,673,774)		
Balance, End of Year	\$ 14,999,731	\$ 15,314,463		

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 2011, the rate varied from 1.49% to 2.42% (2010 - from 1.40% to 2.73%).

There are no fixed repayment terms on the advance.

11. Pension benefits Employee Future Benefits

The Corporation and all eligible employees contribute to the Government of Canada Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Corporation's and employees' contributions in the Public Service Pension Plan for the year were as follows:

	2011		2010	
Employee's Contributions	\$ 8,688	\$ 12,262		
Corporation's Contributions	16,556	23,116		

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

11. Employee Future Benefits (Continued)

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 2010-2011 for removal severance is \$21,500. (2009-2010—\$NIL)

12. Financial Instruments

Credit risk

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:

- credit policies and directives, communicated to lending officers whose activities and responsibilities include credit granting and monitoring client performance;
- diversifying its portfolio across different geographic regions and securing clients assets;
- limiting the concentration of loans and investments with any one business enterprise or group of 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.

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, 2011.

	2011	2010
Cash	\$ 2,423,918	\$ 2,834,814
Accounts receivable	27,979	54,045
Loans receivable, net of allowance	11,354,773	11,357,862
Accrued interest receivable	374,861	385,782
Loan charges receivable	44,199	45,916

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 and future cash flows of the advances from the Government. Changes in interest rates will also cause fluctuations in the fair value of variable rate loans receivable total of \$1,372,000 (2010 - \$1,141,000) as well as interest revenue from cash.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

12. Financial Instruments (Continued)

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 advances from the Government as at March 31, 2011 and the monthly cash balance on hand, a 100 basis point increase in interest rates would decrease net income by \$147,000 (2010 - \$147,000). A 100 basis point decrease in interest rates would increase net income by the same amounts.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation is not exposed to significant currency or other price risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. The Corporation has no significant liabilities maturing in future years. There are no fixed repayment terms on the advances from the Government. The Corporation does not currently believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities.

Fair value of financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, loans receivable, accrued interest receivable, loan charges receivable, receivable from the Government of Nunavut, accounts payable and accrued liabilities and the advances from the Government of Nunavut. The fair values are determined using the valuation methods and assumptions described hereafter.

The carrying value of short term financial instruments such as cash, accounts receivable, receivable from the Government of Nunavut and accounts payable and accrued liabilities approximates their fair values due to the short term nature of these financial instruments.

The advance from the government carries a variable market interest rate and therefore its carrying value is considered by management to approximate its fair value.

The estimated fair value for the performing loans receivable is estimated using a discounted cash flow calculation based on current rates for loans with similar risks. The general component of the allowance for credit losses is subtracted for the estimated fair value of the performing loans receivable. The estimated fair value of the impaired loans receivable is equal to their net realizable values which equal the carrying value. Loans receivable, accrued interest receivable and loan charges receivable are all considered in the same class.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

12. Financial Instruments (Continued)

The following table shows the carrying values and estimated fair values of the Corporation's financial instruments at March 31, 2011:

	2011		2010	
	Carrying Value	Fair value	Carrying Value	Fair value
Financial Assets:				
Loans and Receivables				
Loans receivables	\$11,773,833	\$ 12,978,816	\$11,789,560	\$12,715,500

Fair value hierarchy

The Corporation's only financial instrument carried at fair value on the Balance Sheet is cash. This instrument is included in level one of the fair value hierarchy as described in Note 2.6 – Financial Instruments—Recognition and Measurement.

13. Capital Disclosure

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to stimulate economic development and employment in Nunavut.

The Act authorizes the Corporation to borrow no more than \$50 million from the Government of Nunavut through the advance of which the Financial Management Board has authorized an advance of up to \$25 million. The Corporation manages capital by making repayments on the advance whenever the Corporation has sufficient cash on hand not earmarked for lending, financing or investment purposes and borrows on the advance when the Corporation has insufficient cash on hand for lending, financing or investment purposes without exceeding the authorized limit. There were no changes in capital management in 2011.

14. Accounting Guideline – Variable Interest Entities

Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15), issued by the Canadian Institute of Chartered Accountants came into effect for fiscal years beginning April 1, 2005. This guideline sets out criteria for the application of accounting of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interest. These entities are referred to as variable interest entities (VIEs). Under AcG-15, an enterprise must consolidate a VIE when that enterprise has a variable interest that will absorb a majority of the VIE's expected losses, receive a majority of a VIE's expected residual returns, or both.

This evaluation process has been completed. The Corporation has determined that presently there are no clients that are VIE's and therefore, no consolidation is needed. When NBCC transitions to CICA Public Sector Handbook, there is no requirement for this to be continued.

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

15. Going Concern

Management has assessed the Corporation's ability to operate as a going concern and has determined that the Corporation is economically dependent on the Government of Nunavut to provide operational funding. The operation of the Corporation continues to be a priority of the Government of Nunavut to encourage business in Nunavut and create jobs. Therefore, these financial statements have been prepared on a going concern basis.

16. Loan Commitments

Under loan agreements made before year end, the Corporation had commitments to make future loan disbursements on term loans of \$1,250,000 (2010 - \$2,183,000) and on credit lines of \$446,811(2010 - \$948,975).

17. Related Party Transactions

The Corporation is related in terms of common ownership to all Government departments, statutory bodies and territorial corporations. The Corporation enters into transactions with these entities in the normal course of business and is measured at exchange amount agreed to by both parties.

17.1 Administrative Contribution

Under the terms of the Contribution Agreement between the Corporation and the

Department, the Corporation receives a fixed contribution towards its direct administrative expenses.

	2011	2010
Operating Contribution	\$ 450,000	\$ 450,000
Contributions in-kind:		
- Services Provided Without Charge	135,587	136,458
	\$ 585,587	\$ 586,458

17.2 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, insurance, and telephone and computer systems.

	2011	2010
Facilities Expense	\$ 80,727	\$ 80,727
Office Supplies and Expenses	8,000	8,000
Insurance, Risk Management	3,345	2,872
Employee Salary and Benefits	43,515	44,859
	\$ 135,587	\$ 136,458

NUNAVUT BUSINESS CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

18. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation

19. Ministerial Directives

During the year, there was one Ministerial Directive that was issued to NBCC:

- 1) The Minister Responsible for NBCC issued a directive on April 16, 2011, instructing the Department of Economic Development and Transportation to establish a MOU with NBCC to provide oversight until a permanent CEO could be appointed.