

2010-2011  
ANNUAL REPORT



**NUNAVUT DEVELOPMENT CORPORATION**  
LA CORPORATION DE DÉVELOPPEMENT DU NUNAVUT  
NUNAVUNMI PIVALLIAJUTIKHALIRINIRMUT KUAPURIISINGAT



2010 – 2011

## ANNUAL REPORT

# Supporting Business Development in Nunavut

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Message From  
**Nancy Karetak-Lindell,**  
**Chairperson**

Dear Minister:  
On behalf of my fellow directors, I am pleased to present to you the Annual Report of the Nunavut Development Corporation for the fiscal year ended March 31st, 2011. ★

The year just ended was highlighted by many successful initiatives and partnerships all in support of developing economic sectors unique to Nunavut and fostering important employment opportunities in our communities.

Throughout the Corporation, over \$3.1 million was expended directly on Nunavut employment in sectors such as arts & crafts of which so many of our residents still derive an important component of their income. An additional \$1.5 million went directly to professional harvesters and artisans from whom the Corporation purchased their specialized items thereby supporting the activities of our companies for distribution locally and potentially much further abroad.

Sales at the Corporation remained strong topping \$6.5 million in Nunavut produced goods representing \$3.6 million in meat and fish sales and \$2.9 million in arts and crafts sales.

As an organization we also reviewed and updated our internal investment policies and guidelines to bring current and more clearly reflect the overall scope of the investment funds that we administer. The new policies and guidelines become effective in the coming fiscal year and will enable the Corporation to more effectively serve Venture Investment fund applicants and better govern potential initiatives such as subsidiary divestment.

Our board is keenly aware of the oversight and governance responsibilities vested in us as individual members; we take this role very seriously. As Directors we also strive to ensure that the economic development initiatives of our organization are both relevant to Nunavummiut and reflect the important principles as set out in Tamapta 2009-2013.

Finally I would also like to recognize the outgoing NDC Chairperson Louie Kamookak for his many years of service to the Corporation as both Chairman of the Board and the Executive Committee. His commitment to the Corporation is both recognized and highly appreciated and I look forward to his continued presence on our board as a Director representing the Kitikmeot Region.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'N. Karetak-Lindell'.



Message From  
**Darrin Nichol, President**

The Nunavut Development Corporation enjoyed a strong year at a variety of levels. Our subsidiary companies operating in the meat and fish sectors not only supported local harvest initiatives but also worked with numerous other Nunavut communities... ✨

...to draw in significant volumes of arctic char from community harvesters for processing at our regional plants. This is keeping with the operating approach of the Corporation whereby we seek to ensure all our economic assets work to the benefit of as many Nunavummiut as possible regardless of where within the territory they reside.

On the arts and crafts side, a growing number of arrangements are in place that will allow NDC to draw in sculpture and other Inuit art forms from a broad network of Nunavut artists representing a wide array of regional styles, stone and mediums. Whether working through the NDC subsidiary companies established in some Nunavut communities or working with private NDC partners, our purchasing scope within the Territory continues to expand.

NDC continues to work with the private sector to help our economy advance and in turn stimulate the creation of new employment opportunities in our growing communities. Through our Venture Investment Fund, the Corporation takes equity positions in Nunavut organizations to help set in place the necessary equity financing that will enable companies to secure the other forms of capital financing they require to develop and grow their operations.

The Sales Division, through a variety of marketing initiatives, continues to source out new markets for Inuit art. Without taking the emphasis out of serving Nunavummiut first, we still must continue to seek out new opportunities for our talented artisans whether that is throughout Canada or beyond our borders.

For NDC to fully succeed in delivering upon its economic mandate the focus must be on serving Nunavummiut first and in the fiscal year just ended key corporate initiatives served to advance this philosophy. Whether it is ensuring we have a supply of healthy country food products available for our residents or helping artists in one community move their unique creations to potential customers in another, the fact remains that we are indeed our best and most important customer base. Only Nunavummiut truly recognize and appreciate the time it takes to assemble a quality sealskin garment, create pristine ivory jewelry or the work involved in harvesting winter char in the coldest months of the year; it is to them we must ensure our products and services are fully directed.

Matna,



## Subsidiary Operational Summary

Ivalu Ltd. | Rankin Inlet, NU

Ivalu	2011	2010
Sales	\$161,252	\$192,261
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$25,000	\$25,000
Net Profit (Loss) "After Subsidy"	\$22,550	\$10,113
Nunavut Development Corporation <b>Other Contributions</b>	-	-
Jobs	2.38	2.29

- Retail arts and crafts store with products from other Nunavut Development Corporation subsidiaries, as well as local carvings.
- Wholly owned subsidiary of the Nunavut Development Corporation.

### Board of Directors

Brian Zawadski.

### Sales Associate

Vicky Pilakapsi



## Subsidiary Operational Summary

Jessie Oonark Ltd. | Baker Lake, NU

Jessie Oonark	2011	2010
Sales	\$412,187	\$340,561
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$130,000	\$140,000
Net Profit (Loss) "After Subsidy"	\$(62,978)	\$(30,694)
Nunavut Development Corporation <b>Other Contributions</b>	-	\$17,000
Jobs	11.09	10.60

- Retail and production of arts and crafts including silkscreen and embroidery cards and clothing.
- Wholly owned subsidiary of the Nunavut Development Corporation.

### Board of Directors

Karen Yip  
Lindsey Baker  
Thomas Iksiraq  
Boris Kotelewetz  
Hugh Tulurialik

### General Manager

David Ford





## Subsidiary Operational Summary

Kiluk Ltd. | Arviat, NU

Kiluk	2011	2010
Sales	\$114,202	\$173,137
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$120,000	\$120,000
Net Profit (Loss) "After Subsidy"	\$(1,977)	\$(6,724)
Nunavut Development Corporation <b>Other Contributions</b>	\$13,500	-
Jobs	4.11	4.10

- Retail and production of arts and crafts; local seamstresses use a variety of leather and furs, specializing in sealskin products.
- Wholly owned subsidiary of the Nunavut Development Corporation.

### Board of Directors

Eva Arnalukjuak  
Hattie Alagalak  
John Main  
Lena Arviyut

### General Manager

Sherlyn Price



## Subsidiary Operational Summary

Kitikmeot Foods Ltd. | Cambridge Bay, NU

Kitikmeot	2011	2010
Sales	\$567,763	\$670,003
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$330,000	\$350,000
Net Profit (Loss) "After Subsidy"	\$88,479	\$(14,834)
Nunavut Development Corporation <b>Other Contributions</b>	\$50,000	\$80,000
Jobs	11.50	11.40

- Plant processing of meat and fish including arctic char and muskox.
- Majority owned subsidiary of the Nunavut Development Corporation; holds 98% of voting stock.
- Minority owner Ikaluktutiak Coop of Cambridge Bay; holds 2% of voting stock.

### Board of Directors

Bill Lyall  
Doug Crossley  
Wilf Wilcox  
Brian Zawadski

### Production Manager

Stephane Lacasse

### Administration Manager

Monique Giroux





## Subsidiary Operational Summary

Kivalliq Arctic Foods | Rankin Inlet, NU

Kivalliq	2011	2010
Sales	\$197,158	\$707,927
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$100,000	\$100,000
Net Profit (Loss) "After Subsidy"	\$(281,880)	\$(72,055)
Nunavut Development Corporation <b>Other Contributions</b>	\$11,000	-
Jobs	6.02	7.81

- Plant processing of meat and fish including arctic char and caribou.
- Wholly owned subsidiary of the Nunavut Development Corporation.

### Board of Directors

David Oolooyuk  
Brian Zawadski

### General Manager

Brian Schindel



## Subsidiary Operational Summary

Pangnirtung Fisheries Ltd. | Pangnirtung, NU

Pangnirtung Fisheries	2011	2010
Sales	\$2,829,604	\$2,811,416
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$100,000	\$150,000
Net Profit (Loss) "After Subsidy"	\$(146,960)	\$(127,094)
Nunavut Development Corporation <b>Other Contributions</b>	-	\$15,000
Jobs	19.60	32.30

- Plant processing of fish including arctic char and turbot.
- Majority owned subsidiary of the Nunavut Development Corporation; holds 51% of voting stock.
- Minority owner Cumberland Sound Fisheries holds 49% of voting stock.

### Board of Directors

Manasa Evic  
Hezakiah Oshutapik  
Peah Sowdluapik  
Adamie Veevee  
Roger Alivaktuk  
Brian Zawadski  
Peter Kanayuk

### General Manager

Don Cunningham





## Subsidiary Operational Summary

Papiruk Fisheries Ltd. | Whale Cove, NU

Papiruk	2011	2010
Sales	\$7,784	\$7,580
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$25,000	\$25,000
Net Profit (Loss) "After Subsidy"	\$835	\$175
Nunavut Development Corporation <b>Other Contributions</b>	-	-
Jobs	0.34	0.30

- Plant processing of fish including arctic char.
- Majority owned subsidiary of the Nunavut Development Corporation; holds 51% of voting stock.
- Minority owner Issatik Hunters and Trappers Organization holds 49% of voting stock.

### Board of Directors

Brian Zawadski.



## Subsidiary Operational Summary

Taluo Designs Ltd. | Taloyoak, NU

Taluo	2011	2010
Sales	\$76,184	\$77,335
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$120,000	\$120,000
Net Profit (Loss) "After Subsidy"	\$(4,440)	\$(40,879)
Nunavut Development Corporation <b>Other Contributions</b>	-	-
Jobs	2.58	4.20

- Retail and production of arts and crafts specializing in Inuit packing dolls.
- Majority owned subsidiary of the Nunavut Development Corporation; holds 51% of voting stock.
- Minority owner Netslik Arqnakvik holds 49% of voting stock.

### Board of Directors

Elizabeth Aiyout  
Anaoyok Alookie  
Anginalluq Uttaq  
Brian Zawadski

### General Manager

Mona Igutsaq



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Uqqurmiut Centre for Arts & Crafts

## Subsidiary Operational Summary

Uqqurmiut Centre for Arts & Crafts Ltd. | Pagnirtung, NU

Uqqurmiut	2011	2010
Sales	\$392,649	\$516,373
Nunavut Development Corporation <b>Subsidy Contributions</b>	\$220,000	\$170,000
Net Profit (Loss) "After Subsidy"	\$(47,535)	\$(10,849)
Nunavut Development Corporation <b>Other Contributions</b>	\$105,000	\$120,000
Jobs	15.08	19.50

- Retail and production of arts and crafts including prints, and wool clothing and tapestries woven in tapestry studio.
- Majority owned subsidiary of the Nunavut Development Corporation; holds 51% of voting stock.
- Minority owner Uqqurmiut Inuit Artists Association holds 49% of voting stock.

### Board of Directors

Geetee Maniapik  
Jacopie Maniapik  
Towkie Karpik  
Manasie Noah  
Marlene Angnakak  
Brian Zawadski  
Leah N. Kilabuk

### General Manager

Kyra Fisher





## Manager of Southern Operations

## Arctic Nunavut Retail

## Nunavut Development Corporation Wholesale

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# Headquarters

15 Tugliq 2<sup>nd</sup> Street, Rankin Inlet, NU

	2011	2010
Miscellaneous Revenue	\$50,538	\$6,982
Cost of Goods Sold	-	-
<b>Total Income</b>	\$50,538	\$6,982
Selling & Admin Expenses	\$(1,336,920)	\$(1,213,399)
<b>Cost of Operations</b>	\$(1,286,382)	\$(1,206,417)
Capital Expenditures	-	\$7,195
Jobs	5.5	5.0

# Board of Directors

Director	Position	Community	Appointed	Expires
<b>Nancy Karetak-Lindell</b>	Chairperson	Arviat	Mar 09, 2009	Mar 09, 2012
<b>Wayne Solomon</b>	Director	Cambridge Bay	Mar 23, 2011	Mar 23, 2014
<b>Louie Kamookak</b>	Director	Gjoa Haven	Mar 23, 2011	Mar 23, 2014
<b>David Alagalak</b>	Director	Arviat	Mar 09, 2009	Mar 09, 2012
<b>Thomas Druyan</b>	Director	Iqaluit	Mar 23, 2011	Mar 23, 2014
<b>Donald Haviyok</b>	Director	Kugluktuk	Mar 09, 2009	Mar 09, 2012
<b>Zacharis Kunuk</b>	Director	Igloolik	Mar 09, 2009	Mar 09, 2012
<b>Chris Rudd</b>	Director	Rankin Inlet	Mar 09, 2009	Mar 09, 2012

## The Executive Committee

Section 20 of the Nunavut Development Corporation Act calls for the establishment of three Board sub-committees, an Investment Committee, an Audit Committee and a Personnel Committee. The Board has decided that it is more effective to operate with only one sub-committee as opposed to three and has established an Executive Committee to carry out the roles and responsibilities assigned to each sub-committee in the Act. The Executive Committee meets with senior officials of the Corporation quarterly.

The Executive Committee for fiscal year 2010-2011 consisted of:

- Nancy Karetak Lindell – Chairperson
- Wayne Solomon – Secretary
- Louie Kamookak – Director

## Headquarters Staff

- Darrin Nichol - President
- Brian Zawadski - Business Advisor
- Goretti Kakuktinniq - Business Advisor
- Balaji Ramamani - Controller
- Bernadette Tutanuak - Manager Finance and Administration

## Job Creation

The following jobs were created or maintained by the Corporation, its subsidiaries and venture investments during the 2010-11 fiscal year. These job creation or maintenance figures are consistent with the Corporation's investment and divestment guidelines, which define:

- a direct job as 50 weeks of employment per year or 1,500 hours of work during the year;
- a direct traditional job as \$27,650 paid during the year to local artists or harvesters; and
- an indirect job as \$27,650 paid to local organizations for labour.

The hours worked or dollars paid may be aggregated to arrive at the total number of jobs.

Subsidiary Investments	Direct Jobs	Direct Traditional Jobs	Indirect Jobs	Total Jobs 2011	Total Jobs 2010
<b>Arctic Foods</b>					
Kivalliq Arctic Foods Ltd.	5.15	0.37	0.50	6.02	7.81
Kitikmeot Foods Ltd.	7.10	4.40	-	11.50	11.40
Pangnirtung Fisheries Ltd.	10.84	8.76	-	19.60	32.30
Papiruaq Fisheries Ltd.	0.16	0.18	-	0.34	0.30
<b>Light Manufacturing</b>					
Ivalu Ltd.	1.10	1.28	-	2.38	2.29
Jessie Oonark Ltd.	5.72	5.37	-	11.09	10.60
Kiluk Ltd.	3.26	0.85	-	4.11	4.10
Taluq Designs Ltd.	1.27	1.31	-	2.58	4.20
Uqqurmiut Arts & Crafts Ltd.	10.06	5.02	-	15.08	19.50
<b>Venture Investments</b>					
Arctic Fishery Alliance Ltd.	-	-	3.59	3.59	-
Sub-total	44.66	27.54	4.09	76.29	92.50
<b>Nunavut Development Corporation</b>	5.50	38.10	-	43.60	33.56
Total	50.16	65.64	4.09	119.89	126.06





# Consolidated Financial Statements March 31, 2011



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NUNAVUT DEVELOPMENT CORPORATION  
LA CORPORATION DE DÉVELOPPEMENT DU NUNAVUT  
NUNAVUNMI PIVALLIAJJUTIKHALIRINIRMUT KUAPURIISINGAT



## Nunavut Development Corporation

# Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of the Nunavut Development Corporation and all information contained in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The consolidated financial statements include some amounts, such as the allowance for doubtful accounts receivable and the valuation of the inventory, that are necessarily based on management's best estimates and judgment.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the consolidated financial statements.

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Executive Committee, which is comprised of Directors who are not employees of the Corporation. The Executive Committee meets with management and the external auditors, who have full and free access to the Executive Committee.

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 the report thereon.



**Darrin Nichol**  
President



**Balaji Ramamani, CMA (U.S)**  
Controller

Rankin Inlet, Canada  
28 July 2011



Office of the Auditor General of Canada  
Bureau du vérificateur général du Canada

## INDEPENDENT AUDITOR'S REPORT

To the Minister of Economic Development and Transportation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Nunavut Development Corporation and its subsidiaries, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated statement of income, comprehensive income and retained earnings and the consolidated 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Nunavut Development Corporation and its subsidiaries as at 31 March 2011, and the results of their operations and 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 Nunavut Development Corporation and its subsidiaries and the consolidated financial statements are in agreement therewith. In addition, the transactions of Nunavut Development Corporation and its subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Nunavut Development Corporation Act*, the *Business Corporations Act* and the by-laws of Nunavut Development Corporation and its subsidiaries.

John Apt, CA  
Principal  
for the Interim Auditor General of Canada

28 July 2011  
Ottawa, Canada

## Nunavut Development Corporation

### Consolidated Balance Sheet As at March 31

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current:</b>		
Cash (Note 4)	\$ 3,789,168	\$ 2,299,992
Short-term investments (Note 5)	156,848	1,256,243
Accounts receivable, net of allowance	1,249,233	1,399,788
Inventories (Note 6)	2,972,690	2,865,901
Deposits and prepaid expenses	<u>28,779</u>	<u>39,229</u>
	8,196,718	7,861,153
Venture Investment (Note 7)	250,000	250,000
Property, plant and equipment (Note 8)	<u>1,163,729</u>	<u>1,207,092</u>
	<b><u>\$ 9,610,447</u></b>	<b><u>\$ 9,318,245</u></b>
<b>Liabilities</b>		
<b>Current:</b>		
Bank overdraft (Note 9)	\$ 12,641	\$ 12,270
Bank operating loan (Note 10)	388,769	370,510
Accounts payable and accrued liabilities	663,732	732,962
Deferred revenue (Note 11)	<u>237,618</u>	<u>334,000</u>
	1,302,760	1,449,742
Deferred capital contributions (Note 12)	2,837,196	2,727,567
Minority interest	<u>1</u>	<u>1</u>
	<u>4,139,957</u>	<u>4,177,310</u>
<b>Equity (Note 19)</b>		
Contributed equity - venture investments (Note 13)	1,063,899	763,899
Contributed equity (Note 14)	13,138	13,138
Retained earnings	<u>4,393,453</u>	<u>4,363,898</u>
	5,470,490	5,140,935
	<b><u>\$ 9,610,447</u></b>	<b><u>\$ 9,318,245</u></b>

Commitments (Note 15)

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

Approved by the Board:



Nancy Karetak-Lindell  
Chairperson of the Board of Directors

## Nunavut Development Corporation

### Consolidated Statement of Income, Comprehensive Income and Retained Earnings For the year ended March 31

	<u>2011</u>	<u>2010</u>
<b>Revenues (Schedule 1):</b>		
Sales	\$ 6,238,559	\$ 6,888,147
Cost of goods sold	<u>(5,678,502)</u>	<u>(6,158,455)</u>
<b>Gross profit</b>	<b>560,057</b>	<b>729,692</b>
Preference dividend on venture investment (Note 7)	15,614	-
Interest and other income	<u>80,196</u>	<u>40,699</u>
	<u>655,867</u>	<u>770,391</u>
<b>Expenses:</b>		
Selling and administrative (Note 16)	(3,581,484)	(3,559,441)
Project expenses	(106,922)	(861,987)
Amortization	<u>(217,569)</u>	<u>(246,643)</u>
	<u>(3,905,975)</u>	<u>(4,668,071)</u>
<b>Net loss before contributions</b>	(3,250,108)	(3,897,680)
<b>Contributions and cost recovery:</b>		
Government Contributions (Note 17)	3,221,144	3,790,971
Cost Recovery from Non-Government	<u>58,519</u>	<u>23,240</u>
	<u>3,279,663</u>	<u>3,814,211</u>
<b>Net and comprehensive income (loss)</b>	<b>29,555</b>	<b>(83,469)</b>
<b>Retained earnings, beginning of the year</b>	<u>4,363,898</u>	<u>4,447,367</u>
<b>Retained earnings, end of the year</b>	<b><u>\$ 4,393,453</u></b>	<b><u>\$ 4,363,898</u></b>

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

## Nunavut Development Corporation

### Consolidated Statement of Cash Flows For the year ended March 31

	<u>2011</u>	<u>2010</u>
<b>Cash provided by (used in)</b>		
<b>Operating activities:</b>		
Cash provided from sale of goods	\$ 6,389,114	\$ 6,689,485
Cash provided by government	2,896,672	3,550,152
Cash provided by other contributions	138,259	149,636
Cash paid to suppliers	(5,698,671)	(6,282,475)
Cash paid to employees	(2,194,943)	(2,161,949)
Cash used in projects	(106,922)	(861,987)
Cash used in other operations	<u>(1,482,516)</u>	<u>(900,649)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>(59,007)</u></b>	<b><u>182,213</u></b>
<b>Financing activities:</b>		
Bank operating loan obtained	18,259	280,510
Venture equity contribution provided by the Government of Nunavut (Note 13)	300,000	171,000
Capital contributions provided by the Government of Nunavut (Note 17)	<u>333,000</u>	<u>260,000</u>
<b>Net cash provided by financing activities</b>	<b><u>651,259</u></b>	<b><u>711,510</u></b>
<b>Investing activities:</b>		
Acquisition of property, plant and equipment	(202,842)	(325,893)
Deferred capital assistance	-	133,929
Purchase of short-term investments	-	(60,305)
Redemptions/maturities of short-term investments	1,099,395	-
Preferred shares venture investment (Note 7)	<u>-</u>	<u>(250,000)</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>896,553</u></b>	<b><u>(502,269)</u></b>
<b>Net increase in cash</b>	<b>1,488,805</b>	<b>391,454</b>
<b>Net cash, beginning of the year</b>	<b><u>2,287,722</u></b>	<b><u>1,896,268</u></b>
<b>Net cash, end of the year *</b>	<b><u>\$ 3,776,527</u></b>	<b><u>\$ 2,287,722</u></b>
<b>*Represented by</b>		
Cash (Note 4)	\$ 3,789,168	\$ 2,299,992
Less: Bank overdraft (Note 9)	<u>(12,641)</u>	<u>(12,270)</u>
Net cash	<u>\$ 3,776,527</u>	<u>\$ 2,287,722</u>
<b>Supplemental Information</b>		
Interest and bank charges (Note 16)	\$ 68,224	\$ 85,956

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



## Nunavut Development Corporation

Notes to Consolidated Financial Statements  
March 31, 2011

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### 1. The Corporation

#### (a) Authority

The Nunavut Development Corporation (the "Corporation" or "NDC") is a Crown corporation of the Government of Nunavut (the "Government") named in Schedule B of the *Financial Administration Act* (Nunavut) ("FAA") and, accordingly, operates in accordance with Part IX of the FAA, the *Nunavut Development Corporation Act* (the "Act") and the *Business Corporations Act* (Nunavut).

The Corporation and its Subsidiaries are exempt from the payment of any municipal, territorial and federal income taxes pursuant to Section 27 of the Act and Section 149 of the *Income Tax Act* (Canada).

#### (b) Operations

The Corporation directly invests in or operates business enterprises in accordance with the economic objectives of the Government through equity investments, loans and subsidies. These economic objectives are to create employment and income opportunities for residents of Nunavut, primarily in small communities, to stimulate growth of businesses in Nunavut and to promote economic diversification and stability. It is the intention of the Corporation to divest itself of its Subsidiary investments once the Subsidiary has attained a sustainable level of profitability.

In accordance with Sections 16 and 17 of the Act, the Corporation has established accounts called Subsidy Fund, Capital Fund, Capital Reserve Fund, Venture Investment Fund and Venture Reserve Fund. The Corporation is also required to deposit to the reserve funds an amount equal to 10% of each capital or venture investment made. The Corporation may defer the 10% allocation to cover approved projects expenditures or use the reserve funds for further investment or financing for its Subsidiaries and venture investments through approved drawdowns.

In accordance with Sections 21, 22, 23 and 24 of the Act, the Corporation has also developed guidelines for investments and divestments from the Subsidy Fund, Capital Fund and Venture Investment Fund and for the amalgamation and wind-up of subsidiary investments. The current investment and divestment guidelines were approved by the Board of Directors on October 6th, 2004 and the Government's Financial Management Board on January 28th, 2005.

#### (c) Government Contributions

In accordance with Section 25 of the Act, the Corporation shall annually submit a corporate plan, operating budget and capital plan identifying the contributions requested for approval by the Government's Financial Management Board prior to the commencement of the fiscal year. The Corporation receives contributions from the Government of Nunavut as set out in its Main Estimates, which are adjusted by supplementary appropriations. The contributions are allocated at the discretion of the Board of Directors for the purposes of acquiring capital and venture investments, providing operating subsidies to Subsidiaries based on need, financing head office and sales operations, providing project contributions to approved incorporated investments, paying business development expenses and purchasing capital assets for the Corporation.

The Corporation and its Subsidiaries are economically dependent upon the contributions received from the Government for their ongoing operations.

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

#### 2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Corporation are:

##### (a) Principles of Consolidation

The consolidated financial statements include the assets, liabilities, other comprehensive income, revenue, and expenses of the parent company, Nunavut Development Corporation, and its Subsidiaries. All intercompany transactions and balances have been eliminated. The Corporation controls all of its subsidiaries but does not hold 100% interest in all of them. The non-controlling interests in the various Subsidiaries have been reduced by the losses applicable to the non-controlling interests. The applicable losses are limited to the non-controlling interests' capital investment in the Subsidiaries. The excess, and any further losses applicable to the non-controlling interest, are allocated only to the parent's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the parent's previously absorbed losses are recovered.

The following chart lists the Subsidiary investments comprising the consolidated corporate reporting entity:

Subsidiary Investment	Location	Ownership %	Date Incorporated
<b>Arctic Foods:</b>			
Kivalliq Arctic Foods Ltd.	Rankin Inlet	100%	October 2, 1992
Kitikmeot Foods Ltd.	Cambridge Bay	98%	April 9, 1992
Pangnirtung Fisheries Ltd.	Pangnirtung	51%	September 11, 1992
Papiruaq Fisheries Ltd. (formerly 933261 N.W.T. Ltd)	Whale Cove	51%	February 1, 1993
<b>Light Manufacturing:</b>			
Ivalu Ltd.	Rankin Inlet	100%	October 2, 1992
Jessie Oonark Ltd.	Baker Lake	100%	September 25, 1991
Kiluk Ltd.	Arviat	100%	April 3, 1996
Taluq Designs Ltd.	Taloyoak	51%	April 12, 1995
Uqqurmiut Arts & Crafts (1993) Ltd.	Pangnirtung	51%	March 1, 1994

##### (b) Measurement Uncertainty

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgments that affect the reported amounts of assets, liabilities and comprehensive income and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the fair value of financial instruments, the allowance for doubtful accounts receivable and the provision to reduce inventories to their estimated net realizable value. Actual results may differ from those estimated.

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

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#### (c) Venture Investment

The Corporation is a registered holder of 250 Class D Preferred Limited Partnership Units in Arctic Fishery Alliance Limited Partnership. The rights of a holder of these Units are governed by a Partnership Agreement between Masiliit Corporation as general partner and the limited partners. The Corporation is entitled to receive a fixed cumulative preferential distribution of 6.25% per annum. The Class D Preferred Distribution amount shall accrue daily, compound annually and be payable in arrears by the Partnership to the Corporation on the last business day of each month. This investment is accounted for using the cost method.

#### (d) Inventories

Inventories consist of raw materials, work-in-process and finished goods and are classified as arctic foods or light manufacturing. Raw materials and work-in-process are valued at the lower of cost and net realizable value. Finished goods are valued at the lower of cost and estimated net realizable value, with cost being determined on a weighted average basis. Cost for non-interchangeable items like carvings are assigned by using specific identification of their individual costs.

#### (e) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is recorded by the straight-line method at rates set out below:

Buildings	5% - 10%
Equipment	20%
Leasehold improvements	10% - 20%
Office furniture and equipment	20%
Computer equipment	50% - 100%
Automotive equipment	20%

#### (f) Employee Future Benefits

Employees of the Corporation are not employees of the public service as defined in the *Public Service Act*. The Corporation makes contributions on behalf of its employees to registered retirement savings plans up to established limits. There is no obligation by the employees to make contributions. In 2011, the Corporation's contributions were \$31,037 (2010 - \$33,230). These contributions represent the total pension obligation of the Corporation and are recognized in accounts payable and accrued liabilities on a current basis.

The Corporation's employees are also entitled to annual leave under their terms of employment. The liability for employee leave benefits is recorded as the benefits accrue to the employees.

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

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#### **(g) Government Contributions**

The contributions approved for providing operating subsidies and working capital advances to the Subsidiaries are recognized as revenue in the year that the subsidy or advance is expensed to the Subsidiary. A subsidy contribution which has not been expended at year-end, as it relates to future expenses, may be carried forward to the following year and is recorded as deferred revenue.

The contributions approved to assist in financing the parent company's head office and the sales operations are recognized as revenue in the year they are approved by the Legislative Assembly of the Government.

The contributions approved for investments in majority-owned subsidiaries are recorded as deferred capital contributions and are amortized (into income) on the same basis as they are invested into these subsidiaries.

The contributions approved for the purchase of capital assets for the parent company are recorded as deferred capital contributions and are amortized (into income) on the same basis as the amortization of the related property, plant and equipment.

The contributions approved for investments in loans receivable, preferred shares or non-controlling interests in common shares are recorded as contributed equity – venture investments and are recognized in the year in which the funds are advanced from the Government.

The contributions paid directly to Subsidiaries from the Government are for the purpose of funding specific projects or for reimbursement for cost of freight and power, and are recognized as revenue in the year that the business expenses are incurred.

#### **(h) Cost Recovery**

The cost recovery made by Subsidiaries directly from non-government organizations are for the purpose of training and development and are recognized as cost recovery in the year that the business expenses are incurred.

#### **(i) Revenue**

The Corporation realizes revenues generated by its commercial activities at the point of sale.

#### **(j) Non-Monetary Transactions**

In the normal course of operations, the Corporation enters into agreements for the exchange of goods or services. The transactions are commercial in nature and are recognized at fair value.

#### **(k) Services Provided Without Charge**

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

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

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#### (I) Financial Instruments – Recognition and Measurement

The classification of financial instruments is determined by management at initial recognition and depends on the purpose for which the financial assets were acquired or financial liabilities were incurred.

The Corporation's financial instruments consist of cash, short-term investments, accounts receivable, venture investment, bank overdraft, bank operating loan, and accounts payable and accrued liabilities. The estimated fair values of these financial instruments are approximated by their carrying amounts due to the relatively short period to maturity of these instruments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency, liquidity or credit risks arising from these financial instruments.

All financial instruments are required to be measured at fair value on initial recognition. Transaction costs are expensed as incurred. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. The Corporation's financial assets and financial liabilities are categorized as follows:

**Held-for-trading** – Cash and short-term investments are classified as held for trading and 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.

**Held-to-maturity** – Preferred shares venture investment is classified as held-to-maturity and after initial recognition is subsequently measured at amortized cost using the effective interest method.

**Loans and receivables** – Accounts receivable are classified as loans and receivables and after initial recognition are subsequently measured at amortized cost using the effective interest method.

**Other financial liabilities** – Accounts payable and accrued liabilities, bank overdraft, and bank operating loan are classified as other financial liabilities and after initial recognition are subsequently measured at amortized cost using the effective interest method.

Settlement date accounting is used for purchases and sales of financial assets.

#### **Fair value**

In estimating fair value, the Corporation utilizes quoted market prices when available. Models incorporating observable market data along with transaction specific factors are also utilized in estimating 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 to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

#### 3. 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 (GBTO) classification and entities currently classified as GBTO are required to re-assess their classification.

Under the revised introduction, the Nunavut Development Corporation (NDC) 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. NDC 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.

#### 4. Cash

	<u>2011</u>	<u>2010</u>
Cash held by the Subsidiaries	\$ 1,432,398	\$ 449,236
Cash held by the parent company	<u>2,356,770</u>	<u>1,850,756</u>
	<u>\$ 3,789,168</u>	<u>\$ 2,299,992</u>

The cash held by the parent company is pooled with the Government's surplus cash. The cash can be withdrawn at any time and is not restricted by the maturity dates of investments made by the Government. Cash from the parent company's operating and fund bank accounts accumulates interest at rates ranging from 2.25% to 2.50% per annum on the daily average of the daily closing credit balances. Net investment income of \$22,346 (2010 - \$5,400) is included in interest and other income.

Included in cash held by the parent company are fund and reserve balances as follows:

	<u>2011</u>	<u>2010</u>
Capital fund	\$ 318,112	\$ 182,914
Capital reserve fund	409,805	391,824
Venture investment fund	804,495	488,880
Venture reserve fund	<u>25,000</u>	<u>25,000</u>
Total Fund Balances	<u>\$ 1,557,412</u>	<u>\$ 1,088,618</u>

#### 5. Short-term investments

Kivalliq Arctic Foods Ltd has a short-term deposit consisting of fixed rate non-redeemable Guaranteed Investment Certificates (GICs) at the RBC Royal Bank, bearing interest at 0.60% per annum and maturing in June 2011. In the previous year, Kivalliq Arctic Foods had a short-term deposit consisting of fixed rate Guaranteed Certificates (GICs) at the RBC Royal Bank, bearing interest rates ranging from 0.15% to 1.25% per annum, which matured in the 2011 fiscal year.

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

#### 6. Inventories

	<u>2011</u>	<u>2010</u>
Raw materials and work-in-process:		
Arctic foods	\$ 321,133	\$ 152,471
Light manufacturing	<u>180,833</u>	<u>245,976</u>
	<u>501,966</u>	<u>398,447</u>
Finished goods:		
Arctic foods	27,217	157,151
Light manufacturing	<u>2,054,485</u>	<u>1,788,266</u>
	<u>2,081,702</u>	<u>1,945,417</u>
Packaging materials and supplies	<u>389,022</u>	<u>522,037</u>
	<u>\$ 2,972,690</u>	<u>\$ 2,865,901</u>

During the year, inventories of \$12,074 (2010 - \$15,825) were written-off.

#### 7. Venture Investment

	<u>2011</u>	<u>2010</u>
Preferred Shares	<u>\$ 250,000</u>	<u>\$ 250,000</u>

On March 19, 2010, the Corporation acquired 250 Class D Preferred Limited Partnership units in Arctic Fishery Alliance. The Corporation is entitled to receive a fixed cumulative annual distribution of 6.25% based on its investment. The shares are redeemable at the end of March 2015.

#### 8. Property, Plant and Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Buildings	\$ 9,842,069	\$ 9,103,179	\$ 738,890	\$ 753,365
Equipment	3,477,750	3,347,185	130,565	173,267
Leasehold improvements	552,625	336,610	216,015	166,314
Office furniture and equipment	461,871	418,431	43,440	58,456
Computer equipment	315,659	314,107	1,552	19,478
Automotive equipment	<u>295,042</u>	<u>261,775</u>	<u>33,267</u>	<u>36,212</u>
	<u>\$ 14,945,016</u>	<u>\$ 13,781,287</u>	<u>\$ 1,163,729</u>	<u>\$ 1,207,092</u>

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

#### 9. Bank overdraft

Based on operational needs, the Corporation's operating account may from time to time be in an overdraft position. The Corporation's overdraft is guaranteed by the Government of Nunavut and interest on the overdraft is charged based on a rate of prime plus 0.5% per annum. Interest is charged only when the Corporation's operating account is in an overdraft position and the pooled accounts of the Government are also in an overdraft position.

For Uqqurmiut Arts and Craft Ltd, a subsidiary of NDC, there is an overdraft as follows:

	<u>2011</u>	<u>2010</u>
Uqqurmiut Arts & Craft Ltd	\$ 12,641	\$ 12,270

#### 10. Bank Operating Loan

Pangnirtung Fisheries Ltd. has a demand operating line of credit of \$500,000 at the bank prime rate plus 0.5%. The line of credit is secured by a floating charge debenture covering all of the Subsidiary's assets and a support agreement signed by the parent company.

Kivalliq Arctic Foods Ltd. has a demand operating line of credit of \$425,000 at the bank prime rate plus 0.5%. The line of credit is secured by a guarantee and postponement of claim signed by the parent company.

Kitikmeot Foods Ltd. has a loan demand facility of \$22,000 with interest rate to be determined at the time of drawdown. Further, there is a demand operating line of credit of \$200,000 at the bank prime rate plus 0.5%. The line of credit is secured by a guarantee and postponement of claim signed by the parent company.

The bank operating loan at year-end was comprised as follows:

	<u>2011</u>	<u>2010</u>
Pangnirtung Fisheries Ltd	\$ 388,769	\$ 370,510

#### 11. Deferred Revenue

	<u>2011</u>	<u>2010</u>
Held by Subsidiaries	\$ 3,618	\$ 50,000
Held by Parent company	234,000	284,000
	<u>\$ 237,618</u>	<u>\$ 334,000</u>

Deferred revenue relates to a subsidy contribution which has not been expended at year-end, as it relates to future expenses.

## Nunavut Development Corporation

Notes to Consolidated Financial Statements  
March 31, 2011

### 12. Deferred Capital Contributions

	<u>2011</u>	<u>2010</u>
Opening balance	\$ 2,727,567	\$ 2,644,383
Add: Government capital contributions received	304,362	384,511
Less: Amortization of deferred capital contributions (Note 17)	<u>(194,733)</u>	<u>(301,327)</u>
Ending balance	<u>\$ 2,837,196</u>	<u>\$ 2,727,567</u>

### 13. Contributed Equity – Venture Investments

	<u>2011</u>	<u>2010</u>
Venture Investment Fund – beginning of the year	\$ 763,899	\$ 592,899
Contribution per Main Estimates – during the year	<u>300,000</u>	<u>171,000</u>
Venture Investment Fund – end of the year	<u>\$ 1,063,899</u>	<u>\$ 763,899</u>

### 14. Contributed equity

Contributed equity relates to contributions of supplies and equipment received by Taluq Designs Ltd., a Subsidiary of the Corporation, for a shareholder loan. There are no specified terms of repayment.

### 15. Commitments

#### Long-term Commitments for Leases

The Corporation has entered into long-term operating leases for the rental of office and retail space and for office and production equipment. Future minimum payments by fiscal year are due as follows:

2012	\$ 163,464
2013	105,572
2014	79,956
2015	79,956
2016	79,956
2017 and beyond	<u>160,088</u>
	<u>\$ 668,992</u>

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

#### 16. Selling and Administrative Expenses

	<u>2011</u>	<u>2010</u>
Salaries, wages and benefits	\$ 2,145,882	\$ 2,151,095
Advertising and promotion	285,546	266,308
Professional fees	269,212	261,642
Travel	159,804	176,046
Office and general	150,093	147,968
Rent	128,896	125,573
Board expenses	121,749	123,969
Repairs and maintenance	114,069	89,435
Interest and bank charges	68,224	85,956
Telecommunications	65,984	82,012
Utilities	47,885	46,806
Bad debts (Recovered)	(2,799)	(24,647)
Vehicle	26,939	17,083
Other project costs	-	10,195
	<u>\$ 3,581,484</u>	<u>\$ 3,559,441</u>

#### 17. Government Contributions

	<u>2011</u>	<u>2010</u>
Subsidy payments to Subsidiaries and parent company for operating purposes	\$ 2,605,000	\$ 2,565,000
Amortization of deferred capital contributions (Note 12)	194,733	301,327
Other contributions	<u>421,411</u>	<u>924,644</u>
	<u>\$ 3,221,144</u>	<u>\$ 3,790,971</u>

NDC received \$3,188,000 (2010 - \$3,188,000) in total appropriations from the Government of Nunavut. \$2,555,000 (2010 - \$2,565,000) was for operations while \$333,000 (2010 - \$260,000) was for the capital fund, nil (2010 - \$192,000) was for future subsidiary investments, and \$300,000 (2010 - \$171,000) was for the venture investment fund.

## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

#### 18. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Nunavut created departments, agencies and Crown corporations and enters into transactions with these entities in the normal course of business at normal trade terms and these transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Corporation receives from the Government of Nunavut insurance coverage at no cost, which is not recognized in these consolidated financial statements due to its insignificant amount.

Transactions with related parties and balances at year-end are as follows:

	<u>2011</u>	<u>2010</u>
<b>Sales:</b>		
Government of Nunavut	\$ 50,737	\$ 137,613
Non-controlling interests	<u>60,172</u>	<u>66,515</u>
	<u>\$ 110,909</u>	<u>\$ 204,128</u>
<b>Purchases:</b>		
Non-controlling interests	<u>\$ -</u>	<u>\$ 18,225</u>
<b>Selling and administrative expenses:</b>		
Government of Nunavut	\$ 675,858	\$ 699,437
Non-controlling interests	<u>233,458</u>	<u>79,958</u>
	<u>\$ 909,316</u>	<u>\$ 779,395</u>
<b>Territorial subsidies paid directly to Subsidiaries:</b>		
Government of Nunavut – freight	\$ 639,487	\$ 185,869
Government of Nunavut – other	<u>363,702</u>	<u>955,490</u>
	<u>\$ 1,003,189</u>	<u>\$ 1,141,359</u>
<b>Accounts receivable:</b>		
Government of Nunavut	\$ 230,801	\$ 375,359
Non-controlling interests	<u>40,678</u>	<u>62,547</u>
	<u>\$ 271,479</u>	<u>\$ 437,906</u>
<b>Accounts payable:</b>		
Government of Nunavut	\$ 105,572	\$ 100,257
Non-controlling interests	<u>-</u>	<u>16</u>
	<u>\$ 105,572</u>	<u>\$ 100,273</u>

These balances are payable on demand and have arisen from the sales of goods and provision of services referred to above.

#### 19. Capital Management

NDC's capital is its equity, which comprises Contributed equity–Venture Investments, Contributed equity and Retained earnings. NDC's objective when managing its capital is to safeguard the entity's ability to continue as a going concern in order to maintain financial strength and continue to invest in subsidiaries or companies in order to create jobs in Nunavut.

During the year, NDC managed its capital in accordance with directions provided by the Corporation's Act, investment guidelines and the Board of Directors. There have been no changes during the year as to what the Corporation considers to be capital or to how it manages its capital. The Corporation is not subject to externally imposed capital requirements.

## Nunavut Development Corporation

Notes to Consolidated Financial Statements  
March 31, 2011

### 20. Financial instruments

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

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	in'000	in'000	in'000	in'000
<b>Financial Assets:</b>				
<i>Held for trading</i>				
Cash (1)	\$ 3,800	\$ 3,800	\$ 2,300	\$ 2,300
Short term investments (1)	157	157	1,256	1,256
<i>Held to maturity</i>				
Preferred shares venture investment (2)	250	250	250	250
<i>Loans and receivables</i>				
Accounts receivable (2)	1,249	1,249	1,400	1,400
<b>Financial Liabilities:</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities (3)	664	664	733	733
Bank overdraft (2)	13	13	12	12
Bank operating loan (2)	389	389	371	371

(1) Recorded at fair value.

(2) Recorded at fair value and subsequently at amortized cost using the effective interest method.

(3) Recorded at cost. Fair value approximates the carrying amounts due to the short term nature of the financial instruments.



## Nunavut Development Corporation

### Notes to Consolidated Financial Statements March 31, 2011

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The Corporation is exposed to the following risks as a result of holding 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 their obligations.

The risk associated with cash is minimized substantially by ensuring that these financial assets are placed with well-capitalized financial institutions.

The risk exposure relating to accounts receivable is directly impacted by the clients' ability to meet its obligations. Among other factors, this ability is impacted by the clients' exposure to fluctuations in the economy of Nunavut. The maximum exposure of the Corporation to credit risk is limited to the carrying amounts of its accounts receivable. To mitigate this risk, the Corporation does regular follow-up on their accounts receivable so they are current. At March 31, 2011, the accounts receivable total \$1,249,233 (2010 - \$1,399,788), out of which \$47,525 are 31-60 days old (2010 - \$139,104), \$366,067 are 61-90 days old (2010 - \$163,215) and \$482,811 are over 90 days old (2010 - \$316,060).

The Corporation is also subject to credit risk when investing in subsidiaries. Under its regulations, the maximum the Corporation can lend to or invest in any one business enterprise or group of related enterprises is \$1 million. Amounts greater than \$1 million must be approved by the Financial Management Board. To mitigate this risk, the Corporation implemented specific guidance to be followed before investing in a Subsidiary. The Corporation also performs regular review of the Subsidiaries' practices after the investment occurs, to prevent any significant losses from the investments.

The NDC Divestiture Procedures Manual sets out certain processes and procedures the Corporation and its Board of Directors should follow in respect of any divestiture opportunity, including the sale of a Subsidiary or the sale of any shares or investment interest the Corporation may have in a Subsidiary or business enterprise. These policies and procedures are intended to offer a practical approach to any divestiture opportunity, while at the same time addressing and being in full compliance with the pertinent divestiture provisions and guidelines set out in the *Nunavut Development Corporation Act* and the "NDC Investment Policies and Guidelines" as approved by the Corporation's Board of Directors and the Financial Management Board.

#### Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the Bank operating loan interest expense and will also cause fluctuations in the interest revenue from cash. The Corporation mitigates the cash flow risk by keeping the Bank operating loan at a minimum level and by paying any outstanding amounts owed as soon as possible with the excess cash available.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with its financial liabilities. The Corporation manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Corporation has no significant financial liabilities maturing in future years. The Corporation does not currently believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities.

## 21. Comparative Information

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

## Nunavut Development Corporation

### Schedule to Consolidated Financial Statements Schedule 1 Segmented Information

	Arctic Foods	Light Manufacturing	Corporate	Elimination (Inter-segments)	2011 Total	2010 Total
Sales	\$ 3,602,309	\$ 2,994,648	\$ -	\$ -	\$ 6,596,957	\$ 7,188,814
Less Intra-segment Sales	(36,812)	(287,492)	-	(34,094)	(358,398)	(300,667)
Net Sales	<u>3,565,497</u>	<u>2,707,156</u>	-	(34,094)	<u>6,238,559</u>	<u>6,888,147</u>
Cost of goods sold	\$ 3,597,193	\$ 2,439,707	\$ -	\$ -	\$ 6,036,900	\$ 6,459,122
Less Intra-segment Cost of goods sold	(36,812)	(287,492)	-	(34,094)	(358,398)	(300,667)
Net Cost of goods sold	<u>3,560,381</u>	<u>2,152,215</u>	-	(34,094)	<u>5,678,502</u>	<u>6,158,455</u>
Gross Profit	<u>\$ 5,116</u>	<u>\$ 554,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,057</u>	<u>\$ 729,692</u>
Amortization	<u>\$ 125,523</u>	<u>\$ 80,225</u>	<u>\$ 11,821</u>	<u>\$ -</u>	<u>\$ 217,569</u>	<u>\$ 246,643</u>
Net Loss before Contribution	<u>\$ (1,163,727)</u>	<u>\$ (808,042)</u>	<u>\$ (1,278,339)</u>	<u>\$ -</u>	<u>\$ (3,250,108)</u>	<u>\$ (3,897,680)</u>
Assets						
Current	\$ 2,955,169	\$ 2,942,708	\$ 2,476,364	\$ -	\$ 8,374,241	\$ 8,058,138
Less Intercompany	-	(160,314)	-	(17,209)	(177,523)	(196,985)
Capital & other	770,660	292,651	350,418	-	1,413,729	1,457,092
Net Assets	<u>\$ 3,725,829</u>	<u>\$ 3,075,045</u>	<u>\$ 2,826,782</u>	<u>\$ (17,209)</u>	<u>\$ 9,610,447</u>	<u>\$ 9,318,245</u>
Capital Expenditures	<u>\$ 74,479</u>	<u>\$ 128,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,842</u>	<u>\$ 325,893</u>

Sales to one customer of the Corporation's arctic foods segment account for approximately \$663,038 (2010 - \$1,389,264) of the Corporation's total sales. These sales to that customer represent 10% of the total sales of the Corporation (2010 - 20%).

The corporate "Net loss before Contribution" represents headquarter administrative costs, less interest earned; the operations of the Wholesale Division and Sales Division are included under light manufacturing.



Alert

ELLESMERE  
ISLAND

Grise Fiord

DEVON ISLAND

Resolute

Arctic Bay

Nanisivik

Pond Inlet

Clyde River

BAFFIN ISLAND

Qikiqtarjuaq

Pangnirtung

Igloodik

Hall Beach

Taloyoak

Gjoa Haven

Kugaaruk  
(Pelly Bay)

MELVILLE  
PENINSULA

Repulse Bay

Iqaluit

Cape Dorset

Kimmirut

NUNAVUT

SOUTHAMPTON  
ISLAND

Coral  
Harbour

COATS ISLAND

Baker Lake

Chesterfield Inlet

Rankin Inlet

Whale Cove

Arviat

BELCHER  
ISLANDS

Sanikiluaq



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