



An illustration of three Inuit people in traditional parkas on a snowy landscape. One person holds a long spear, another holds a large fish, and a third is bent over, possibly catching or preparing fish. A small dog is visible in the background.





Cover Print

'Caught a Good Size'

by Andrew Gappik.

uqqurmiut.com



Annual Report 2011-2012

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Message From Nancy Karetak-Lindell, Chairperson

Dear Minister:

On behalf of the Board of Directors I am pleased to submit to you the 2011-12 Annual Report of the Nunavut Development Corporation (the Corporation). The Corporation is committed to ensuring that our programs supporting employment and economic diversification reflect the needs of Nunavummiut.

Over the past year, the Corporation both directly and through the subsidiaries, purchased \$4.5 million of arts and crafts, muskox, caribou and fish from producers who participate in our arts and crafts, commercial fishing and commercial harvesting sectors. Within these important sectors the Corporation further paid out an additional \$3.8 million in wages to individuals who work in the arts and crafts and food processing facilities. As a result of the Corporation's purchasing and processing activity in these key economic sectors the Corporation was able to generate \$7.4 million in sales. Although many of the sales were generated outside of Nunavut, the Corporation values most highly the customer base at home in Nunavut and we continue to emphasize the need to focus on the Nunavut marketplace, ensuring customer demand for items such as country food produced at our facilities is fully met prior to looking beyond the Territory.

Our organization understands the economic challenges faced by many Nunavut households. Many of these households derive some element of their income through sectors that we actively support. Regardless, poverty in Nunavut is a growing concern and I am pleased that the Corporation was invited by the Nunavut Anti-Poverty

Secretariat to participate both on the Nunavut Anti-Poverty Roundtables and on the Nunavut Food Security Coalition over the past year.

A key objective of the Corporation is to feasibly try to expand its programs and services so that the benefits of such reach as many Nunavummiut as possible, particularly in those communities where we do not maintain a subsidiary company. I am pleased to report that the Corporation, whether through the fishery, commercial harvesting or on the arts and crafts side, worked with individuals or organizations in communities such as Repulse Bay, Igloolik and Gjoa Haven to draw in significant volumes of additional goods for either resale through our Sales Division or for additional processing at one of our meat and fish facilities.

In closing I would like to acknowledge the ongoing support provided by the Department of Economic Development and Transportation and the Department of the Environment along with the commitment of my colleagues on the NDC Board, all of whom share a common commitment of ensuring the Corporation's programs work to improve the lives of Nunavummiut by providing income earning opportunities in sectors where employment possibilities are limited. Finally I would like to thank outgoing director, Mr. Wayne Solomon, for his active contribution to the Corporation as a board member and as a member of the Executive Committee for many years.

Respectfully Submitted,



Message From Darrin Nichol, President

The year just ended was again a very busy one throughout the Corporation.

Key highlights included an exceptional winter ice fishery in Pangnirtung and a fabulous celebration of 40 years of weaving at Uqqurmiut Arts and Crafts. Favorable ice conditions on Cumberland Sound helped elevate participation in the winter turbot fishery to levels not seen in many years, generating significant earning opportunities for local fishermen. In July, Uqqurmiut Arts and Crafts held a wonderful celebration in recognition of 40-years of tapestry weaving in the community of Pangnirtung. Tapestries produced in the tapestry studio are known around the world by collectors; the tapestry studio itself is one of only four such studios known to operate commercially in the world.

Kiluk celebrated its 15th anniversary in the community of Arviat with a public celebration and open house. Two of its longtime professional seamstresses, Regalee Curley and Bernadette Illungiyuk, were also recognized for their commitment and long service provided to the company. Rankin Inlet based Ivalu saw a significant jump in sales last year driven in large part by increased customer traffic associated with the local mining activity in the area. Ivalu purchases art from local artisans and its related NDC subsidiaries and is well known among visitors and residents of Rankin Inlet. Kivalliq Arctic Foods was involved in many harvesting initiatives across Nunavut: purchasing arctic char from fishermen in Igloodik, Repulse Bay, Coral Harbour, Qikiqtarjuaq, Rankin Inlet and Whale Cove as well as significant volumes of caribou from harvesters in Arviat. Kivalliq Arctic Foods also officially registered with Nutrition

North Canada and is now able to offer food subsidies available under the program to its Nunavut customers. Jessie Oonark Ltd. in Baker Lake continues to be a focal point for the unique arts and crafts that originate from that community. Along with operating a retail venue for the many visitors to the community and providing soapstone to artists, the company continues to be a popular spot for many in the community who rely on the arts sector to generate a portion of their income.

Kitikmeot Foods in Cambridge Bay again ran the summer and fall char fisheries at water bodies around the community and once again undertook the 2012 muskox harvest. Demand for muskox and char from this company is very strong and at year end nearly all char and muskox products were sold to customers both within Nunavut and beyond. Kitikmeot Foods is also now registered with Nutrition North Canada under the federal food subsidy program and is able to offer the subsidy to its Nunavut customers as well. Taluq Designs in Taloyoak continued to successfully produce items supporting Maplelea doll projects.

Other highlights included a successful arts and crafts marketing initiative to Switzerland lead by the Corporation's Sales Division and included renowned Nunavut artists Jaco Ishulutaq of Pangnirtung and Paul Malliki of Repulse Bay. The sales division also continued to foster arts and crafts purchasing partnerships in the communities of Gjoa Haven, Iqaluit and Cape Dorset.

Matna

Print

'Decisive Moment'
by Andrew Qappik.
uqqurmiut.com



Subsidiary Operational Summary

| Ivalu Ltd. Rankin Inlet, NU | 2012 | 2011 | |
|--|-----------|-----------|--|
| Sales | \$213,603 | \$161,252 | |
| Nunavut Development Corporation Subsidy Contributions | \$15,000 | \$25,000 | |
| Net Profit (Loss) "After Subsidy" | \$5,916 | \$22,550 | |
| Nunavut Development Corporation Other Contributions | - | - | |
| Jobs | 2.12 | 2.03 | |

- 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 | 2012 | 2011 | |
|--|------------|------------|--|
| Sales | \$267,179 | \$417,665 | |
| Nunavut Development Corporation Subsidy Contributions | \$150,000 | \$130,000 | |
| Net Profit (Loss) "After Subsidy" | \$(27,043) | \$(62,978) | |
| Nunavut Development Corporation Other Contributions | \$13,000 | - | |
| Jobs | 8.96 | 9.62 | |

- 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
 Boris Kotelewetz
 Hugh Turalialik

General Manager
 David Ford



Subsidiary Operational Summary

| Kiluk Ltd. Arviat, NU | 2012 | 2011 | |
|---|-----------|-----------|--|
| Sales | \$200,028 | \$114,202 | |
| Nunavut Development Corporation Subsidy Contributions | \$125,000 | \$120,000 | |
| Net Profit (Loss) "After Subsidy" | \$18,840 | \$11,523 | |
| Nunavut Development Corporation Other Contributions | \$29,000 | \$13,500 | |
| Jobs | 5.85 | 3.87 | |

- 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 Kadjuk



Subsidiary Operational Summary

| Kitikmeot Foods Ltd. Cambridge Bay, NU | 2012 | 2011 | |
|---|------------|-----------|--|
| Sales | \$623,230 | \$567,763 | |
| Nunavut Development Corporation Subsidy Contributions | \$330,000 | \$330,000 | |
| Net Profit (Loss) "After Subsidy" | \$(99,153) | \$138,479 | |
| Nunavut Development Corporation Other Contributions | \$53,000 | \$50,000 | |
| Jobs | 11.20 | 10.30 | |

- 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
Jim MacEachern
Louie Kamookak

General Manager

Stephane Lacasse



Subsidiary Operational Summary



| Kivalliq Arctic Foods Rankin Inlet, NU | 2012 | 2011 | |
|---|-------------|-------------|--|
| Sales | \$323,575 | \$197,158 | |
| Nunavut Development Corporation Subsidy Contributions | \$125,000 | \$100,000 | |
| Net Profit (Loss) "After Subsidy" | \$(111,202) | \$(270,880) | |
| Nunavut Development Corporation Other Contributions | - | \$11,000 | |
| Jobs | 12.16 | 5.91 | |

- 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 | 2012 | 2011 | |
|---|-------------|-------------|--|
| Sales | \$3,824,674 | \$2,829,604 | |
| Nunavut Development Corporation Subsidy Contributions | \$100,000 | \$100,000 | |
| Net Profit (Loss) "After Subsidy" | \$160,622 | \$(146,960) | |
| Nunavut Development Corporation Other Contributions | - | - | |
| Jobs | 35.42 | 17.21 | |

- 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
Adamie Veevee
Lena Metuq
Johnny Mike
Levi Evic
Brian Zawadski

General Manager

Don Cunningham



Subsidiary Operational Summary

| Papirug Fisheries Ltd. Whale Cove, NU | 2012 | 2011 | |
|---|------------|----------|--|
| Sales | \$20,507 | \$7,784 | |
| Government of Nunavut Subsidy Contributions | - | \$25,000 | |
| Net Profit (Loss) "After Subsidy" | \$(34,390) | \$835 | |
| Nunavut Development Corporation Other Contributions | - | - | |
| Jobs | 0.66 | 0.29 | |

- 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



| Taluq Designs Ltd. Taloyoak, NU | 2012 | 2011 | |
|---|-----------|-----------|--|
| Sales | \$104,717 | \$76,184 | |
| Nunavut Development Corporation Subsidy Contributions | \$130,000 | \$120,000 | |
| Net Profit (Loss) "After Subsidy" | \$16,064 | \$(4,440) | |
| Nunavut Development Corporation Other Contributions | \$38,000 | - | |
| Jobs | 3.03 | 2.22 | |

- 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 Netsilik Arqnakvik holds 49% of voting stock.

Board of Directors

Elizabeth Aiyout
Anaoyok Alookkee
Anginalluq Uttaq
Brian Zawadski

General Manager

Mona Igutsaq



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Uqurmiut Centre for Arts & Crafts

Subsidiary Operational Summary



| Uqurmiut Arts & Crafts Ltd. Pagnirtung, NU | 2012 | 2011 | |
|---|------------|-----------|--|
| Sales | \$453,619 | \$392,649 | |
| Nunavut Development Corporation Subsidy Contributions | \$190,000 | \$220,000 | |
| Net Profit (Loss) "After Subsidy" | \$(86,425) | \$57,465 | |
| Nunavut Development Corporation Other Contributions | \$45,000 | \$105,000 | |
| Jobs | 12.15 | 13.71 | |

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

Vacant



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

Sales Division

| Sales Division | 2012 | 2011 | |
|-------------------------------------|-------------------|------------------|--|
| Total Sales | \$1,820,337 | \$1,865,828 | |
| Cost of Goods Sold | \$(1,329,547) | \$(1,316,814) | |
| Gross Margin | \$490,790 | \$549,014 | |
| Selling & Admin Expenses | \$(585,928) | \$(515,766) | |
| Surplus (Cost) of Operations | \$(95,138) | \$33,248 | |
| Capital Expenditures | \$4,338 | \$320 | |
| Jobs | 26.00 | 27.72 | |

Manager of Southern Operations

Tom Chapman

Arctic Nunavut Retail

Terminal 3 Retail Court Pearson International Airport
(Closed during fiscal 2012)

Nunavut Development Corporation Wholesale

6675 Millcreek Drive, Unit 4 Mississauga, ON

Disclosure of Account Write-offs over \$500

As per the Financial Administration Act, the Corporation is required to publicly disclose any asset, debt or obligation written off during the financial year that exceeds \$500, in its annual report. The Corporation wrote off \$36,636

in bad debt in 2011-12. Accounts written off that were over \$500 are listed below:

| Customer | Total |
|--------------------------|----------|
| • Arctic Wild Harvest | \$ 1,128 |
| • Bowring | 2,862 |
| • Celebrate Good Times | 8,238 |
| • Cottage Country Crafts | 4,272 |
| • Gallery of Kanada's | 8,393 |
| • Images of Canada | 1,513 |
| • Inuit Art Canada | 2,894 |
| • Inuit Art Gallery | 1,222 |
| • The Gallery | 5,007 |
| • Very Canada | 599 |

Headquarters

15 Tugliq 2nd Street, Rankin Inlet, NU

| | 2012 | 2011 | |
|---------------------------|----------------------|----------------------|--|
| Miscellaneous Revenue | \$74,000 | \$50,538 | |
| Cost of Goods Sold | - | - | |
| Total Income | \$74,000 | \$50,538 | |
| Selling & Admin Expenses | \$(1,336,826) | \$(1,336,920) | |
| Cost of Operations | \$(1,262,826) | \$(1,286,382) | |
| Capital Expenditures | \$4,647 | - | |
| Jobs | 5.5 | 5.5 | |

Board of Directors

| Director | Position | Community | Appointed | Expires | |
|-----------------------|-------------|--------------|--------------|--------------|--|
| Nancy Karetak-Lindell | Chairperson | Arviat | Mar 09, 2012 | Mar 09, 2015 | |
| Louie Kamookak | Director | Gjoa Haven | Mar 23, 2011 | Mar 23, 2014 | |
| David Alagalak | Director | Arviat | Mar 09, 2012 | Mar 09, 2015 | |
| Thomas Druyan | Director | Iqaluit | Mar 23, 2011 | Mar 23, 2014 | |
| Donald Havioyak | Director | Kugluktuk | Mar 09, 2012 | Mar 09, 2015 | |
| Zacharis Kunuk | Director | Igloolik | Mar 09, 2012 | Mar 09, 2015 | |
| Chris Rudd | Director | Rankin Inlet | Mar 09, 2012 | Mar 09, 2015 | |

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
 Louie Kamookak – Vice-Chairperson
 Chris Rudd – Secretary Treasurer

Headquarters Staff

Darrin Nichol – President
 Brian Zawadski – Business Advisor
 Goretti Kakuktinniq – Business Advisor
 Balaji Ramamani – Chief Financial Officer
 Bernadette Tutanuak – Manager Finance & Administration
 Vicky Pilakapsi – Secretary (part-time)

Job Creation

The following jobs were created or maintained by the Corporation, its subsidiaries and venture capital investments during the 2011-2012 fiscal year. These job creation or maintenance figures are consistent with the Corporation's investment and divestment guidelines, which define:

- a Direct Job as one that is created or maintained within a subsidiary, project or business enterprise. One Direct Job is equal to 1,500 hours of employment throughout the year.
- a Traditional Job as one that is created outside of a subsidiary, project or business enterprise as a direct result of its purchasing activity. Expenditures paid to individuals

or organizations for the acquisition of sculpture, crafts, sewn goods, drawings, prints, meat, fish or any other art, craft or harvested items will be aggregated to arrive at the total number of traditional jobs created throughout the year.

- an Indirect job as amounts paid to other local organizations for labour.

In 2011-12 the job cost threshold was increased from \$27,650 per job to \$37,997 per job. The updated job cost figure of \$37,997 has been used for restatement of the 2011 figures.

| Subsidiary Investments | Direct Jobs | Direct Traditional Jobs | Indirect Jobs | Total Jobs 2012 | Total Jobs 2011 | |
|--|-------------|-------------------------|---------------|-----------------|-----------------|--|
| Arctic Foods | | | | | | |
| Kivalliq Arctic Foods Ltd. | 6.41 | 5.72 | 0.03 | 12.16 | 5.91 | |
| Kitikmeot Foods Ltd. | 8.70 | 2.50 | - | 11.20 | 10.30 | |
| Pangnirtung Fisheries Ltd. | 16.96 | 18.46 | - | 35.42 | 17.21 | |
| Papiruaq Fisheries Ltd. | 0.23 | 0.43 | - | 0.66 | 0.29 | |
| Light Manufacturing | | | | | | |
| Ivalu Ltd. | 1.15 | 0.97 | - | 2.12 | 2.03 | |
| Jessie Oonark Ltd. | 6.01 | 2.95 | - | 8.96 | 9.62 | |
| Kiluk Ltd. | 5.11 | 0.74 | - | 5.85 | 3.87 | |
| Taluq Designs Ltd. | 1.90 | 1.13 | - | 3.03 | 2.22 | |
| Uqqurmiut Arts & Crafts Ltd. | 9.00 | 3.15 | - | 12.15 | 13.71 | |
| Venture Investments | | | | | | |
| Arctic Fishery Alliance Ltd. | - | - | 9.78 | 9.78 | 2.61 | |
| Sub-total | 55.47 | 36.05 | 9.81 | 101.33 | 67.77 | |
| Nunavut Development Corporation | 5.50 | 26.00 | - | 31.50 | 33.22 | |
| Total | 60.97 | 62.05 | 9.81 | 132.83 | 100.99 | |



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

Consolidated Financial Statements March 31, 2012

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Nunavut Development Corporation

Management's Responsibility for Consolidated Financial Statements

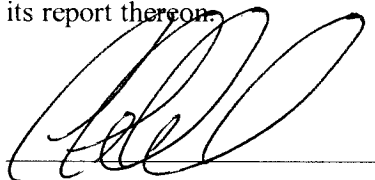
The accompanying consolidated financial statements of the Nunavut Development Corporation, for the years ended March 31, 2012 and March 31, 2011, and all information contained in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The consolidated financial statements include some amounts, such as the allowance for doubtful accounts receivable and the valuation of inventories, which are necessarily based on management's best estimates and judgment.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards PS 1000 - 3510. Financial information presented elsewhere in the annual report is consistent with that contained in the consolidated financial statements.

In discharging their 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, proper records are maintained and the Corporation conducts its affairs in accordance with the requirements of applicable laws. These controls and practices are intended to 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.

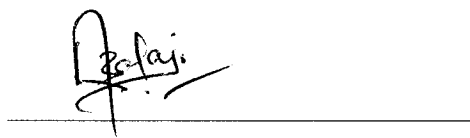
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Executive Committee, which is comprised of Directors who are not employees of the Corporation. 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 consolidated financial statements of the Corporation and for issuing its report thereon.



Darrin Nichol

President



Balaji Ramamani, CMA (U.S), CRMA

Chief Financial Officer

Rankin Inlet, Canada
10 August 2012



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, which comprise the consolidated statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the consolidated statements of operations and accumulated surplus, consolidated statements of changes in net financial assets and consolidated statements of cash flow for the years ended 31 March 2012 and 31 March 2011, 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 public sector accounting standards, 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 audits. I conducted my audits 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 in my audits 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 as at 31 March 2012, 31 March 2011 and 1 April 2010, and the results of its operations, changes in its net financial assets, and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied, after giving retroactive effect to the adoption of the new standards as explained in Note 2 to the consolidated financial statements, 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 audits 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 regulations, and the by-laws of Nunavut Development Corporation and its subsidiaries.



Tammy Squires, CA
Principal
for the Auditor General of Canada

10 August 2012
Ottawa, Canada

Nunavut Development Corporation

Consolidated Statement of Financial Position
as at

| | March 31, 2012 | March 31, 2011 | April 1, 2010 |
|--|------------------|------------------|------------------|
| Financial Assets | | | |
| Cash and cash equivalents (Note 4) | 3,853,607 | 3,946,016 | 3,556,235 |
| Revenues receivable (Note 5) | 3,005,133 | 1,249,233 | 1,399,788 |
| Inventories for resale (Note 6(a)) | 2,795,303 | 2,081,702 | 1,945,417 |
| Portfolio investments (Note 7) | 250,000 | 250,000 | 250,000 |
| Total Financial Assets | 9,904,043 | 7,526,951 | 7,151,440 |
| Liabilities | | | |
| Bank overdraft (Note 8) | 21,508 | 12,641 | 12,270 |
| Bank operating loan (Note 9) | 721,072 | 388,769 | 370,510 |
| Accounts payable and accrued liabilities | 1,394,439 | 638,732 | 732,962 |
| Other employee future benefits (Note 10) | 131,093 | 25,000 | - |
| Deferred revenue (Note 11) | 1,754,954 | 1,301,517 | 1,097,899 |
| Deferred capital contributions (Note 12) | 3,515,628 | 2,837,196 | 2,727,567 |
| Total Liabilities | 7,538,694 | 5,203,855 | 4,941,208 |
| Net Financial Assets | 2,365,349 | 2,323,096 | 2,210,232 |
| Non-Financial Assets | | | |
| Tangible capital assets (Schedule A) | 1,077,012 | 1,157,928 | 1,201,291 |
| Inventories for use (Note 6(b)) | 892,955 | 890,988 | 920,484 |
| Prepaid expenses | 29,143 | 28,779 | 39,229 |
| Total Non-Financial Assets | 1,999,110 | 2,077,695 | 2,161,004 |
| Accumulated Surplus | 4,364,459 | 4,400,791 | 4,371,236 |

Commitments (Note 13)

The accompanying notes and schedules 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 Operations and Accumulated Surplus for the year ended March 31

| | 2012 Budget | 2012 Actual | 2011 Budget | 2011 Actual |
|--|------------------------|------------------------|------------------------|------------------------|
| Revenues | | | | |
| Sales (Schedule B) | 6,761,250 | 7,421,996 | 7,287,300 | 6,238,559 |
| Cost recovery from non-government | - | 174,751 | - | 58,519 |
| Preference dividend on venture investment | 15,000 | 15,625 | 15,000 | 15,614 |
| Interest and other income (Note 4) | 48,000 | 96,183 | 15,500 | 80,196 |
| Total revenues | 6,824,250 | 7,708,555 | 7,317,800 | 6,392,888 |
| Expenses | | | | |
| Cost of goods sold (Schedule C) | 6,037,502 | 7,280,963 | 6,466,200 | 5,678,502 |
| Selling and administration (Schedule D) | 3,631,950 | 3,973,444 | 3,660,300 | 3,581,484 |
| Project expenses | - | - | - | 106,922 |
| Amortization of tangible capital assets (Schedule A) | 240,890 | 269,296 | 258,030 | 246,206 |
| Total expenses | 9,910,342 | 11,523,703 | 10,384,530 | 9,613,114 |
| Deficit before Government contributions | (3,086,092) | (3,815,148) | (3,066,730) | (3,220,226) |
| Government contributions (Note 14) | 3,140,000 | 3,778,816 | 2,879,300 | 3,249,781 |
| Surplus (deficit) for the year | 53,908 | (36,332) | (187,430) | 29,555 |
| Accumulated surplus - beginning of the year | 4,400,791 | 4,400,791 | 3,727,464 | 4,371,236 |
| Accumulated surplus - end of the year | 4,454,699 | 4,364,459 | 3,540,034 | 4,400,791 |

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

Nunavut Development Corporation

Consolidated Statement of Changes in Net Financial Assets
for the year ended March 31

| | 2012 Budget | 2012 Actual | 2011 Budget | 2011 Actual |
|---|------------------------|------------------------|------------------------|------------------------|
| Surplus (deficit) for the year | 53,908 | (36,332) | (187,430) | 29,555 |
| Tangible capital assets (Schedule A) | | | | |
| Additions | (315,000) | (188,380) | (333,000) | (202,844) |
| Amortization | 240,890 | 260,387 | 258,030 | 246,206 |
| Disposals | - | 8,909 | - | - |
| | (74,110) | 80,916 | (74,970) | 43,362 |
| Net use (additions) of inventories for use | - | (1,967) | - | 29,496 |
| Net use (additions) of prepaid expenses | - | (364) | - | 10,450 |
| | - | (2,331) | - | 39,946 |
| Change in net financial assets (debt) | (20,202) | 42,253 | (262,400) | 112,863 |
| Net financial assets - beginning of the year | 2,323,096 | 2,323,096 | 2,210,233 | 2,210,233 |
| Net financial assets - end of the year | 2,302,894 | 2,365,349 | 1,947,833 | 2,323,096 |

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

Nunavut Development Corporation

Consolidated Statement of Cash Flow
for the year ended March 31

| | 2012 | 2011 |
|--|------------------|------------------|
| Cash (used for) provided by operating activities | | |
| Sale of goods | 6,583,864 | 6,389,114 |
| Government contributions | 3,642,182 | 2,896,672 |
| Other contributions | 158,720 | 138,259 |
| Paid to suppliers | (5,625,170) | (5,698,671) |
| Paid to employees | (2,074,539) | (2,194,943) |
| Interest paid | (24,659) | (106,922) |
| Other operations and project expenses | (3,547,506) | (1,482,515) |
| Cash (used for) provided by operating activities | (887,108) | (59,006) |
| Cash provided by financing activities | | |
| Bank operating loan obtained (Note 9) | 332,303 | 18,259 |
| Cash provided by financing activities | 332,303 | 18,259 |
| Cash provided by (used for) investing activities | | |
| Venture equity contribution provided by GN (Note 11) | 323,000 | 300,000 |
| Cash provided by (used for) investing activities | 323,000 | 300,000 |
| Cash (used for) provided by capital activities | | |
| Capital contributions provided by the GN (Note 14) | 310,000 | 333,000 |
| Tangible capital asset acquisitions (Schedule A) | (188,380) | (202,843) |
| Tangible capital asset disposals (Schedule A) | 8,909 | - |
| Cash (used for) provided by capital activities | 130,529 | 130,157 |
| Increase (decrease) in cash and cash equivalents | (101,276) | 389,410 |
| Cash and cash equivalents - beginning of the year | 3,933,375 | 3,543,965 |
| Cash and cash equivalents - end of the year | 3,832,099 | 3,933,375 |
| Represented by: | | |
| Cash and cash equivalents (Note 4) | 3,853,607 | 3,946,016 |
| Less: Bank indebtedness (Note 8) | (21,508) | (12,641) |
| | 3,832,099 | 3,933,375 |

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

1. Authority and operations

(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 Policies and Guidelines and the Guidelines for the Sale of Shares or Other Interests were approved by the Board of Directors on June 24th, 2010. As per section 22 of the Act, the Guidelines for the Sale of Shares or Other Interests were approved by the Government's Financial Management Board on November 25th, 2010.

(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.

(d) Reporting entity

The consolidated financial statements present summary information and serve as a means for the Corporation to show its accountability for the resources, obligations and financial affairs for which it is responsible.

(e) Budget

The consolidated budget balances disclosed in the consolidated financial statements represent the Corporation's original approved budget for 2011-12 and 2010-11 as approved by the Board of Directors.

PSAS for the public sector in Canada requires that the consolidated financial statements include a comparison of the results of operations and changes in financial assets for the period with those originally planned.

2. Transition to Public Sector Accounting Standards

In December 2009, Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards Handbook. Under the revised introduction, the Corporation is classified as an Other Government Organization (OGO). As an OGO, management determined the most appropriate basis of accounting to meet the needs of the users of its consolidated financial statements to be those issued by PSAB.

The Corporation has adopted the PSAB Standards for its fiscal year beginning April 1, 2011. In accordance with Canadian Public Sector Accounting Standards (PSAS), including PSAB's First-Time Adoption by Government Organizations Standard (PS 2125), the change has been implemented retroactively to the date of transition, April 1, 2010.

The adoption of PSAS is accounted for by retroactive application with restatement of prior periods. The following is a summary of the main qualitative differences for the corporation between its previous and current financial statements:

- The Consolidated Balance Sheet has been replaced by the Consolidated Statement of Financial Position, segregating financial and non-financial assets, as well as the net financial assets (financial assets, less liabilities) of the corporation, and accumulated surplus/deficit at the Statement of Financial position date.
- The Consolidated Statement of Income, Comprehensive Income and Retained Earnings have been replaced by the Consolidated Statement of Operations and Accumulated Surplus (Deficit).
- A new Consolidated Statement of Changes in Net Financial Assets, which represents the expenditures of a public sector reporting entity less revenue, as well as acquisitions of tangible capital assets and other items explaining the difference between the surplus/deficit of the period and the change in net financial assets for the period. A comparison of the current year results with the original comparative budget is also disclosed.
- As required, the Consolidated Statement of Financial Position includes the opening April 1, 2010 balances for the Corporation's financial assets, liabilities, net financial assets, non-financial assets and accumulated surplus.
- The Corporation has elected to use the following exemption under PS 2125, First-Time Adoption by Government Organizations:

Tangible Capital Asset impairment

The corporation has elected the exemption in paragraph PS 2125.14 not to comply with the requirement of Section PS 3150 for write-downs of tangible capital assets that were incurred prior to the date of transition to Public Sector Accounting Standards. As a first-time adopter, the corporation has chosen not to reverse past impairments of tangible capital assets in Section PS 3150.

Nunavut Development Corporation

Notes to the Consolidated Financial Statements
March 31, 2012

The following table presents the reconciliation of account balances and transactions from the previous reporting framework to the current method of presentation as at April 1, 2010, the date of transition to PSAS (certain amounts have been reclassified to conform to the presentation adopted in 2011-12):

| Statement of Financial Position | As previously stated | Adjustments | PSA Standards |
|---------------------------------|----------------------|----------------------------|------------------|
| Financial Assets | | | |
| Cash | \$2,299,992 | \$(2,299,992) ¹ | - |
| Short-term investments | 1,256,243 | (1,256,243) ¹ | - |
| Cash and cash equivalents | - | 3,556,235 ¹ | \$3,556,235 |
| Accounts receivable | 1,399,788 | (1,399,788) ² | - |
| Revenues receivable | - | 1,399,788 ² | 1,399,788 |
| Inventories | 2,865,901 | (2,865,901) ³ | - |
| Inventories for resale | - | 1,945,417 ³ | 1,945,417 |
| Deposits and prepaid expenses | 39,229 | (39,229) ⁴ | - |
| Venture Investment | 250,000 | (250,000) ⁵ | - |
| Portfolio investments | - | 250,000 ⁵ | 250,000 |
| Property, plant and equipment | 1,207,092 | (1,207,092) ⁶ | - |
| Total financial assets | 9,318,245 | (2,166,805) | 7,151,440 |

Nunavut Development Corporation

Notes to the Consolidated Financial Statements
March 31, 2012

| Statement of Financial Position | As previously stated | Adjustments | PSA Standards |
|---|----------------------|--|---------------------|
| Liabilities | | | |
| Bank overdraft | 12,270 | - | 12,270 |
| Bank operating loan | 370,510 | - | 370,510 |
| Accounts payable and accrued liabilities | 732,962 | - | 732,962 |
| Deferred revenue | 334,000 | 763,899 ⁷ | 1,097,899 |
| Minority interest | 1 | (1) ⁸ | - |
| Deferred capital contributions | 2,727,567 | - | 2,727,567 |
| Total liabilities | 4,177,310 | 763,898 | 4,941,208 |
| Net financial assets | 5,140,935 | (2,930,703) | 2,210,032 |
| Non-financial assets | | | |
| Tangible capital assets | - | 1,207,092 ⁶ (5,801) ⁹ | 1,201,291 |
| Inventories for use | - | 920,484 ³ | 920,484 |
| Prepaid expenses | - | 39,229 ⁴ | 39,229 |
| Total non-financial assets | - | 2,161,004 | 2,161,004 |
| Accumulated surplus | \$ 5,140,935 | \$ (769,699) | \$ 4,371,236 |
| Accumulated surplus is comprised of: | | | |
| Retained earnings | \$ 4,363,898 | (4,363,898) | |
| | | (5,801) ⁹ | \$ (5,801) |
| Minority interest | - | 1 ⁸ | 1 |
| Contributed equity - venture investments | 763,899 | (763,899) ⁷ | - |
| Contributed equity | 13,138 | (13,138) | - |
| Accumulated surplus | - | 4,377,036 | 4,377,036 |
| | \$ 5,140,935 | \$ (769,699) | \$ 4,371,236 |

¹ Short-term investments reclassified as cash equivalents.

² Accounts receivable reclassified as Revenues receivable.

³ Inventories (assets) reclassified as Inventories for resale (financial assets) and Inventories for use (non-financial assets).

⁴ Deposits and prepaid expenses (assets) reclassified as Prepaid expenses (non-financial assets).

⁵ Venture investments reclassified as Portfolio investments.

⁶ Property, plant and equipment (assets) reclassified as Tangible Capital Assets (non-financial assets).

Nunavut Development Corporation

Notes to the Consolidated Financial Statements March 31, 2012

⁷ Contributed equity-venture investments balance which was included in equity in 2010-11, has been reclassified as Deferred revenue under liabilities in 2011-12. As Contributed equity-venture investments balance can only be used for venture Investments and not for any other purpose, it cannot become part of accumulated surplus. Considering the restriction for use, this has been reclassified as a liability.

⁸ Minority interest which was included in liabilities in 2010-11, has been reclassified as equity under Accumulated surplus in 2011-12. The Corporation has availed the business combination exemption per PS 2125.11

⁹ A subsidiary of the corporation has reversed previously recorded purchase of fishing license for offshore turbot in Area OB in 2008 for \$5,000, and two subsidiaries of the corporation have reversed previously recorded "in-kind" contributions of works of art for \$801, since PSAS 3150 "Tangible Capital Assets" does not allow the recognition thereof.

The following table presents the reconciliation of account balances and transactions from the previous reporting framework to the current method of presentation as at March 31, 2011 (certain amounts have been reclassified to conform to the presentation adopted in 2011-12):

| Statement of Financial Position | As previously stated | Adjustments | PSA Standards |
|---------------------------------|----------------------|-----------------------------|------------------|
| Financial Assets | | | |
| Cash | \$ 3,789,168 | \$ (3,789,168) ¹ | - |
| Short-term investments | 156,848 | (156,848) ¹ | - |
| Cash and cash equivalents | - | 3,946,016 ¹ | \$ 3,946,016 |
| Accounts receivable | 1,249,233 | (1,249,233) ² | - |
| Revenues receivable | - | 1,249,233 ² | 1,249,233 |
| Inventories | 2,972,690 | (2,972,690) ³ | - |
| Inventories for resale | - | 2,081,702 ³ | 2,081,702 |
| Deposits and prepaid expenses | 28,779 | (28,779) ⁴ | - |
| Venture Investment | 250,000 | (250,000) ⁵ | - |
| Portfolio investments | - | 250,000 ⁵ | 250,000 |
| Property, plant and equipment | 1,163,729 | (1,163,729) ⁶ | - |
| Total financial assets | 9,610,447 | (2,083,496) | 7,526,951 |

Nunavut Development Corporation

Notes to the Consolidated Financial Statements
March 31, 2012

| Statement of Financial Position | As previously stated | Adjustments | PSA Standards |
|---|----------------------|---|---------------------|
| Liabilities | | | |
| Bank overdraft | 12,641 | - | 12,641 |
| Bank operating loan | 388,769 | - | 388,769 |
| Accounts payable and accrued liabilities | 663,732 | (25,000) ⁷ | 638,732 |
| Other employee future Benefits | - | 25,000 ⁷ | 25,000 |
| Minority interest | 1 | (1) ⁸ | - |
| Deferred revenue | 237,618 | 1,063,899 ⁹ | 1,301,517 |
| Deferred capital contributions | 2,837,196 | - | 2,837,196 |
| Total liabilities | 4,139,957 | 1,063,898 | 5,203,855 |
| Net financial assets | 5,470,490 | (3,147,394) | 2,323,096 |
| Non-financial assets | | | |
| Tangible capital assets | - | 1,163,729 ⁶ (5,801) ¹⁰ | 1,157,928 |
| Inventories for use | - | 890,988 ³ | 890,988 |
| Prepaid expenses | - | 28,779 ⁴ | 28,779 |
| Total non-financial assets | - | 2,077,695 | 2,077,695 |
| Accumulated surplus | \$ 5,470,490 | \$ (1,069,699) | \$ 4,400,791 |
| Accumulated surplus is comprised of: | | | |
| Retained earnings | \$ 4,393,453 | (4,393,453) (5,801) ¹⁰ | \$ (5,801) |
| Minority interest | - | 1 ⁸ | 1 |
| Contributed equity - venture investments | 1,063,899 | (1,063,899) ⁹ | - |
| Contributed equity | 13,138 | (13,138) | - |
| Accumulated surplus | - | 4,406,591 | 4,406,591 |
| | \$5,470,490 | \$(1,069,699) | \$4,400,791 |

¹ Short-term investments reclassified as cash equivalents.

² Accounts receivable reclassified as Revenues receivable.

³ Inventories (assets) reclassified as Inventories for resale (financial assets) and Inventories for use (non-financial assets).

⁴ Deposits and prepaid expenses (assets) reclassified as Prepaid expenses (non-financial assets).

⁵ Venture investments reclassified as Portfolio investments.

Nunavut Development Corporation

Notes to the Consolidated Financial Statements March 31, 2012

⁶ Property, plant and equipment (assets) reclassified as Tangible Capital Assets (non-financial assets).

⁷ Accounts payable and accrued liabilities reclassified as two separate line items, i.e., (i) Accounts payable and accrued liabilities and (ii) Other employee future benefits.

⁸ Minority interest which was included in liabilities in 2010-11, has been reclassified as equity under Accumulated surplus in 2011-12. The Corporation has availed the business combination exemption per PS 2125.11.

⁹ Contributed equity-venture investments balance which was included in equity in 2010-11, has been reclassified as Deferred revenue under liabilities in 2011-12. As Contributed equity-venture investments balance can only be used for venture Investments and not for any other purpose, it cannot become part of accumulated surplus. Considering the restriction for use, this has been reclassified as a liability.

¹⁰ A subsidiary of the corporation has reversed previously recorded purchase of fishing license for offshore turbot in Area OB in 2008 for \$5,000, and two subsidiaries of the corporation have reversed previously recorded "in-kind" contributions of works of art for \$801, since PSAS 3150 "Tangible Capital Assets" does not allow the recognition thereof.

There is no change in the Net income for the year ended March 31, 2011 due to transition adjustments and reclassifications.

Compared to previous year, in schedules B, C & D, the reportable segments have changed for broader disclosure per PSAS requirements.

3. Significant Accounting Policies

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants ("CICA").

(b) Principles of Consolidation

The consolidated financial statements include the financial assets, liabilities, non-financial assets, 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 Corporation controls each of the nine subsidiaries listed below through a combination of ownership interests and other pertinent indicators. Therefore, the assets, liabilities, non-financial assets, revenue and expenses of each of the nine subsidiaries have been fully consolidated into these consolidated financial statements.

The non-controlling interests in Pangnirtung Fisheries Ltd., Papiuq Fisheries Ltd., Taluq Designs Ltd., and Uqqurmiut Arts & Crafts (1993) Ltd., have been reduced to nil by the losses on operations applicable to the non-controlling interests. The applicable losses on operations are limited to the non-controlling interests' share in the capital of the subsidiaries. The excess and any further losses otherwise applicable to the non-controlling interests are allocated only to the parent's interest. Subsequent earnings will be allocated entirely to the parent's interest until previously absorbed losses relating to the non-controlling interests are recovered. The total accumulated losses on operations for the non-controlling interests of the above-noted subsidiaries as at March 31, 2012 are \$2,969,160 (March 31, 2011 - \$2,996,537; April 1, 2010 - \$2,897,019).

Nunavut Development Corporation

Notes to the Consolidated Financial Statements March 31, 2012

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

| Subsidiary Investment | Location | Ownership % | Date Incorporated |
|---|---------------|-------------|--------------------|
| Arctic Foods: | | | |
| 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 |
| Light Manufacturing: | | | |
| 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 |

(c) Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. The effect on the consolidated financial statements of changes to such estimates and assumptions in future periods could be significant, although at the time of preparation of these consolidated financial statements, the Corporation believes the estimates and assumptions to be reasonable.

The more significant areas requiring the use of management estimates are related to the useful life of the capital assets, the allowance for doubtful accounts receivable and the provision to reduce inventories to their estimated net realizable value. Actual results could differ from those estimated.

(d) Cash and cash equivalents

Cash and cash equivalents are comprised of bank account balances net of outstanding cheques and short term highly liquid investments that are readily convertible to cash and usually with a maturity date of 180 days or less from the date of acquisition.

(e) Portfolio investments

Portfolio investments are long term investments in organizations that do not form part of the Corporation's consolidated financial reporting entity and are accounted for by the cost method. Such investments are normally in shares or bonds of the investee. Where there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss, which is included as a component of investment income. Dividend income is recognized as it is declared, and gains and losses on sales of portfolio investment are recognized when realized.

(f) Inventories

Inventories for resale include light manufacturing finished goods and arctic foods 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.

Inventory for use includes light manufacturing and arctic foods raw materials and work-in-process as well as packaging materials and supplies, valued at the lower of cost and net realizable value, with the cost being determined on a weighted average basis.

(g) Non-Financial Assets

Non-financial assets, including tangible capital assets, inventories for use and prepaid expenses, are recognized on the consolidated Statement of Financial Position only if they are expected to be used to provide services or support the Corporation's operations in future years. These assets would not normally be used to provide financial resources to discharge liabilities of the Corporation unless they were sold. Non-financial assets are amortized or charged to expenses in future periods as they are used to provide services or support operations. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in the non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(h) Tangible capital assets

Tangible capital assets are non-financial assets whose life exceeds one fiscal year and are intended to be used on an ongoing basis for delivering company services. Tangible capital assets are recorded at cost and when the assets are contributed, fair value or a nominal amount if fair value is not determinable.

Tangible capital assets include buildings, leasehold improvements, vehicles, equipment, office furniture and equipment and computer equipment carried at cost less accumulated amortization. When placed into service, they are amortized on a straight-line basis over their estimated useful life based on the following guidelines:

| Asset Category | Amortization Period |
|--------------------------------|----------------------------|
| Buildings | 10 - 20 years |
| Leasehold improvements | 5 - 10 years |
| Equipment | 5 years |
| Automotive equipment | 5 years |
| Office furniture and equipment | 5 years |
| Computer equipment | 1 - 2 years |

The leasehold improvements are amortized over the lesser of their useful life or the lease term. The cost of fishing licenses is charged to expense in the year they are acquired.

(i) Other employee future benefits

Employees of the Corporation are not employees of the public service as defined in the Public Service Act. Under the terms and conditions of employment, employees may earn severance and removal benefits based on years of service. These benefits are paid upon retirement of the employee. The estimated liability and related expenses for these benefits are recorded as employees earn them and are based on management's assumptions and best estimates. Termination benefits are recorded when employees are identified for lay-off.

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.

The Corporation makes contributions on behalf of its employees to registered retirement savings plans up to established limits. The contributions to the registered retirement savings plans represent a defined contribution benefit plan. There is no obligation by the employees to make contributions. In 2012, the Corporation's contributions were \$36,584 (2011 - \$31,037). These contributions represent the total pension obligation of the Corporation and are recognized in accounts payable and accrued liabilities on a current basis.

(j) 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 received or receivable by 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 tangible 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 tangible capital assets.

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.

(k) 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.

(l) Revenues

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

Specific revenue accounting policies are as follows:

Revenue from fish and meat sales and arts and craft sales is recognized at the time of sale of inventoried goods when cash considerations have been received from the customer or the customer has approved credit and there is a high expectation of collection.

Subsidies are recognized when funds are received or receivable. Grants from the Government of Nunavut are recognized as revenue when entitlement for the transfer occurs. Transfers received before eligibility criteria, if any, are met, are recorded as deferred revenue until the criteria are met.

Interest revenue is recognized when it is earned.

(m) 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.

(n) 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 consolidated financial statements in respect to the services provided.

(o) Contractual obligations and contingencies

The nature of the Corporation's activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenses. The contingencies of the Corporation are potential

liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur and is quantifiable, an estimated liability is accrued. If the likelihood is not determinable or the amount cannot be reasonably estimated, the contingency is disclosed in the notes to the consolidated financial statements and no liability is accrued. Contingent liabilities result from potential or pending litigation and like items.

(q) Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites. An environmental liability is accrued and an expense recorded based on management's best estimate at the time the contamination occurs or where the company becomes aware of the contamination and is obligated to incur such costs. If the likelihood of the Corporation's obligation to incur these costs is not determinable or if an amount cannot be reasonably estimated the contingency is disclosed in the notes to the financial statements and no liability is accrued. Accrued environmental liabilities are reported as part of the accounts payable and accrued liabilities. The environmental liabilities are reassessed on an annual basis. As of the year-end, there are no environmental liabilities.

(r) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, revenues receivable, portfolio (venture) investments, bank overdraft, bank operating loan, and accounts payable and accrued liabilities.

All financial instruments except venture investments are initially measured at fair value. 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. The venture investments are held at cost. The following table identifies the company's financial assets and liabilities and identifies how they are subsequently measured:

| Financial asset or liability | Subsequent measurement |
|--|------------------------|
| Cash and cash equivalents | Fair value |
| Revenues receivable | Amortized cost |
| Portfolio investments | Amortized cost |
| Bank overdraft | Amortized cost |
| Bank operating loan | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency, liquidity or credit risks from these financial instruments.

The Corporation will not early adopt PS 3450 as this Standard will become effective on April 1, 2012.

4. Cash and cash equivalents

| | March 31, 2012 | March 31, 2011 | April 1, 2010 |
|------------------------|---------------------|---------------------|---------------------|
| Cash held by the | | | |
| Parent company | \$ 2,582,152 | \$ 2,356,770 | \$ 1,850,756 |
| Subsidiaries | 371,455 | 1,432,398 | 449,236 |
| Short-term investments | 900,000 | 156,848 | 1,256,243 |
| | <u>\$ 3,853,607</u> | <u>\$ 3,946,016</u> | <u>\$ 3,556,235</u> |

Nunavut Development Corporation

Notes to the Consolidated Financial Statements March 31, 2012

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 \$33,829 (2011 - \$22,346) is included in interest and other income.

As at March 31, 2012, Kivalliq Arctic Foods Ltd has a short-term deposit of \$900,000 bearing interest ranging from 0.15% to 1.25% per annum, which matures in the 2013 fiscal year. In the previous year, Kivalliq Arctic Foods Ltd had a short-term deposit consisting of fixed rate non-redeemable Guaranteed Investment Certificates (GICs) at the RBC Royal bank, bearing interest at 0.6% per annum and maturing in June 2011. As at April 1, 2010, Kivalliq Arctic Foods Ltd had a short-term deposit consisting of fixed rate Guaranteed Investment Certificates (GICs) at the RBC Royal Bank, bearing interest ranging from 0.15% to 1.25% per annum, which matured in the 2011 fiscal year.

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

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|-------------------------|-----------------------|-----------------------|----------------------|
| Capital fund | \$ 422,429 | \$ 318,112 | \$ 182,914 |
| Capital reserve fund | 428,503 | 409,805 | 391,824 |
| Venture investment fund | 1,143,120 | 804,495 | 488,880 |
| Venture reserve fund | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> |
| Total Fund Balances | <u>\$ 2,019,052</u> | <u>\$ 1,557,412</u> | <u>\$ 1,088,618</u> |

Cash consists of capital and operating funds. All the capital accounts are restricted for the acquisition of capital per the *Nunavut Development Corporation Act*.

5. Revenues receivable

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|---------------------------------------|-----------------------|-----------------------|----------------------|
| Total Revenues Receivable | 3,144,112 | 1,330,055 | 1,559,866 |
| Less: Allowance for doubtful accounts | <u>(138,979)</u> | <u>(80,822)</u> | <u>(160,078)</u> |
| Net Revenues Receivable | <u>\$ 3,005,133</u> | <u>\$ 1,249,233</u> | <u>\$ 1,399,788</u> |

The Corporation wrote-off various receivables for \$36,636 in 2012 (2011 - \$0), for which an allowance had been made earlier.

6. Inventories

(a) For resale

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|---------------------|-----------------------|-----------------------|----------------------|
| Finished Goods | | | |
| Light manufacturing | \$ 2,145,905 | \$ 2,054,485 | \$ 1,741,329 |
| Arctic foods | 649,398 | 27,217 | 204,088 |
| | <u>\$ 2,795,303</u> | <u>\$ 2,081,702</u> | <u>\$ 1,945,417</u> |

During the year, inventories of \$25,180 (2011 - \$12,074) were written off.

(b) For use

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|-----------------------------------|-----------------------|-----------------------|----------------------|
| Raw materials and work-in-process | | | |
| Light manufacturing | \$ 182,611 | \$ 180,833 | \$ 279,395 |
| Arctic foods | 262,951 | 499,266 | 119,052 |
| | <u>\$ 445,562</u> | <u>\$ 680,099</u> | <u>\$ 398,447</u> |
| Packaging supplies | | | |
| Light manufacturing | \$ 11,237 | \$ 12,358 | \$ 13,518 |
| Arctic Foods | 436,156 | 198,531 | 508,519 |
| | <u>\$ 447,393</u> | <u>\$ 210,889</u> | <u>\$ 522,037</u> |
| Total inventories for use | <u>\$ 892,955</u> | <u>\$ 890,988</u> | <u>\$ 920,484</u> |

7. Portfolio investments

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|------------------|-----------------------|-----------------------|----------------------|
| Preferred Shares | <u>\$ 250,000</u> | <u>\$ 250,000</u> | <u>\$ 250,000</u> |

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.

8. 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>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|------------------------------|-----------------------|-----------------------|----------------------|
| Uqqurmiut Arts and Craft Ltd | <u>\$ 21,508</u> | <u>\$ 12,641</u> | <u>\$ 12,270</u> |

9. Bank Operating Loan

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

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|---------------------------|-----------------------|-----------------------|----------------------|
| Pangnirtung Fisheries Ltd | <u>\$ 721,072</u> | <u>\$ 388,769</u> | <u>\$ 370,510</u> |

Pangnirtung Fisheries Ltd. has a demand operating loan of \$500,000 at the bank prime rate plus 0.5%, secured by a floating charge debenture covering all company assets, a guarantee and a support agreement signed by Nunavut Development Corporation unconditionally agreeing upon written request of the bank at any time during the term of the agreement to pay the current support amount to the company in trust for the bank.

At times during the year, the actual bank balance exceeded the limit of \$500,000. The actual bank operating loan balance as at March 31, 2012 was \$489,040, while the balance as per books of account was \$721,072.

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. There have been no draws as of the years ended above.

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. There have been no draws as of the years ended above.

10. Other employee future benefits

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|-----------|-----------------------|-----------------------|----------------------|
| Severance | \$ 126,128 | \$ 25,000 | \$ - |
| Removal | 4,965 | - | - |
| | <u>\$ 131,093</u> | <u>\$ 25,000</u> | <u>\$ -</u> |

11. Deferred revenue

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|---|-----------------------|-----------------------|----------------------|
| Held by Subsidiaries | \$ 179,055 | \$ 3,618 | \$ 50,000 |
| Held by Parent company | 189,000 | 234,000 | 284,000 |
| Held by Parent company Venture Inv. Contrib. by GN | <u>1,386,899</u> | <u>1,063,899</u> | <u>763,899</u> |
| | <u>\$ 1,754,954</u> | <u>\$ 1,301,517</u> | <u>\$ 1,097,899</u> |

Deferred revenue relates to subsidy contributions which have not been expended at year-end, as they relate to future expenses.

12. Deferred capital contributions

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|--|-----------------------|-----------------------|----------------------|
| Opening balance | \$ 2,837,196 | \$ 2,727,567 | \$ 2,644,383 |
| Add: Govt. capital contributions received | 881,362 | 304,362 | 384,511 |
| Less: Amortization of DCC- Parent (Note 14) | <u>(202,930)</u> | <u>(194,733)</u> | <u>(301,327)</u> |
| | <u>\$ 3,515,628</u> | <u>\$ 2,837,196</u> | <u>\$ 2,727,567</u> |

13. Commitments

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:

| | |
|-----------------|---------------------|
| 2013 | \$ 165,018 |
| 2014 | 166,800 |
| 2015 | 167,208 |
| 2016 | 167,412 |
| 2017 | 167,412 |
| 2018 and beyond | <u>189,240</u> |
| | <u>\$ 1,023,090</u> |

Also, as of March 31, 2012, three of the subsidiaries of the Corporation have Capital Purchase commitments. These commitments total \$434,500.

14. Government Contributions

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Subsidy payments to Subsidiaries and parent | | |
| Company for operating purposes | \$ 2,600,000 | \$ 2,605,000 |
| Amortization of DCC – Parent (Note 12) | 202,930 | 194,733 |
| Amortization of DCC – Subsidiaries | 28,637 | 28,637 |
| Contributions from Fisheries & Sealing to | | |
| • Pangnirtung Fisheries Ltd. | 400,731 | 330,264 |
| • Kivalliq Arctic Foods Ltd. | 158,088 | 31,952 |
| Other direct contributions to Subsidiaries | 388,430 | 59,195 |
| | <u>\$ 3,778,816</u> | <u>\$ 3,249,781</u> |

NDC received \$3,188,000 (2011 - \$3,188,000) in total appropriations from the Government of Nunavut. \$2,555,000 (2011 - \$2,555,000) was for operations while \$310,000 (2011 - \$333,000) was for the capital fund, and \$323,000 (2011 - \$300,000) was for the venture investment fund.

15. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of Nunavut created departments 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 insurance coverage at no cost from the Government of Nunavut and it 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:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| (a) Sales | | |
| Government of Nunavut | 28,944 | 50,737 |
| Non-controlling interests | 39,686 | 60,172 |
| | <u>\$ 68,630</u> | <u>\$ 110,909</u> |
| (b) Purchases | | |
| Non-controlling interests | <u>\$ 12,602</u> | <u>\$ -</u> |
| (c) Selling and administrative expenses | | |
| Government of Nunavut | 926,443 | 675,858 |
| Non-controlling interests | 110,301 | 233,458 |
| | <u>\$ 1,036,744</u> | <u>\$ 909,316</u> |
| (d) Territorial subsidies paid directly to Subsidiaries | | |
| Government of Nunavut - freight | 611,835 | 639,487 |
| Non-controlling interests - other | 746,583 | 363,702 |
| | <u>\$ 1,358,418</u> | <u>\$ 1,003,189</u> |

Nunavut Development Corporation

Notes to the Consolidated Financial Statements March 31, 2012

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
|-------------------------------|-----------------------|-----------------------|----------------------|
| (e) Revenue receivable | | | |
| Government of Nunavut | 1,177,614 | 230,801 | 375,359 |
| Non-controlling interests | 10,325 | 40,678 | 62,547 |
| | <u>\$ 1,187,939</u> | <u>\$ 271,479</u> | <u>\$ 437,906</u> |
| (f) Accounts payable | | | |
| Government of Nunavut | 177,807 | 105,572 | 100,257 |
| Non-controlling interests | 109,773 | - | 16 |
| | <u>\$ 287,580</u> | <u>\$ 105,572</u> | <u>\$ 100,273</u> |

16. Financial instruments

While additional information on the Corporation's use and management of financial instruments is disclosed, PS 3450 - Financial Instruments and related changes will be formally implemented for the 2012-13 fiscal year.

The Corporation is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (price risk, interest rate risk and currency risk).

While the revenues receivable are initially recognized at cost per PS 3050.30, subsequently the carrying value of revenues receivable as well as cash and cash equivalents and accounts payable and certain accrued liabilities approximates their fair values due to their short-term maturity.

| | Financial assets at fair value as at | | |
|--|--------------------------------------|-----------------------|----------------------|
| | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>April 1, 2010</u> |
| | <u>in'000</u> | <u>in'000</u> | <u>in'000</u> |
| Financial Assets: | | | |
| Cash and cash equivalents (i) | \$ 3,853 | \$ 3,946 | \$ 3,556 |
| Revenues receivable (ii) | 3,005 | 1,249 | 1,400 |
| Financial Liabilities: | | | |
| <i>Other financial liabilities</i> | | | |
| Bank overdraft (ii) | 21 | 12 | 12 |
| Bank operating loan (ii) | 721 | 389 | 370 |
| Accounts payable and accrued liabilities (iii) | 1,394 | 639 | 733 |

Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(i) Recorded at fair value

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

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

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 revenues 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 revenues receivable. To mitigate this risk, the Corporation does regular follow-up on their revenues receivable so they are current. At March 31, 2012, the revenues receivable total \$3,005,133 (2011 - \$1,249,233), out of which \$314,275 are 31-60 days old (2011 - \$47,525), \$104,947 are 61-90 days old (2011 - \$366,067) and \$1,075,056 are over 90 days old (2011 - \$482,811).

The Corporation is also subject to credit risk when investing in subsidiaries. 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 and cash equivalents. 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.

17. Subsequent event

On March 28, 2012, the Corporation made a letter of offer to Oujukoaq Fisheries Ltd to invest \$300,000 on 6.5% preferred shares, which was accepted on April 2, 2012.

18. Comparative Information

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

Nunavut Development Corporation

Consolidated Schedule of Tangible Capital Assets
for the year ended March 31

Schedule A

| | | | | | | | 2012 | 2011 |
|--|----------------|---------------|--------------------------------|---|-----------------------|-------------------------|------------------|------------------|
| | Buildings | Equipment | Leasehold Improve- ments | Office Furniture and Equipment | Computer Equipment | Automotive Equipment | Totals | Totals |
| Cost of tangible capital assets | | | | | | | | |
| Opening balance | 9,842,069 | 3,471,949 | 552,625 | 461,871 | 315,659 | 295,042 | 14,939,215 | 14,736,372 |
| Additions | 53,746 | 18,163 | 79,327 | 2,375 | 19,917 | 14,852 | 188,380 | 291,865 |
| Disposals | - | - | (66,812) | - | (111,488) | - | (178,300) | (89,022) |
| Closing balance | 9,895,815 | 3,490,112 | 565,140 | 464,246 | 224,088 | 309,894 | 14,949,295 | 14,939,215 |
| Accumulated amortization | | | | | | | | |
| Opening balance | (9,103,179) | (3,347,185) | (336,610) | (418,431) | (314,107) | (261,775) | (13,781,287) | (13,535,081) |
| Amortization | (55,710) | (82,599) | (77,393) | (12,939) | (9,569) | (22,177) | (260,387) | (246,206) |
| Disposals | - | - | 57,903 | - | 111,488 | - | 169,391 | - |
| Closing balance | (9,158,889) | (3,429,784) | (356,100) | (431,370) | (212,188) | (283,952) | (13,872,283) | (13,781,287) |
| Net book value | 736,926 | 60,328 | 209,040 | 32,876 | 11,900 | 25,942 | 1,077,012 | 1,157,928 |
| Estimated useful life | 10-20 years | 5 years | 5-10 years | 5 years | 1-2 years | 5 years | | |

Nunavut Development Corporation

Consolidated Schedule of Tangible Capital Assets
for the year ended March 31

Schedule A Continued

| | | | | | | | 2011 |
|--|-------------|-------------|--------------------------------|---|-----------------------|-------------------------|--------------|
| | Buildings | Equipment | Leasehold Improve- ments | Office Furniture and Equipment | Computer Equipment | Automotive Equipment | Totals |
| Cost of tangible capital assets | | | | | | | |
| Opening balance | 9,796,549 | 3,358,028 | 436,463 | 545,412 | 321,140 | 278,781 | 14,736,372 |
| Additions | 45,520 | 113,921 | 116,162 | - | - | 16,261 | 291,865 |
| Disposals | - | - | - | (83,541) | (5,481) | - | (89,022) |
| Closing balance | 9,842,069 | 3,471,949 | 552,625 | 461,871 | 315,659 | 295,042 | 14,939,215 |
| Accumulated amortization | | | | | | | |
| Opening balance | (9,043,184) | (3,285,385) | (312,375) | (349,906) | (301,662) | (242,569) | (13,535,081) |
| Amortization | (59,995) | (61,800) | (24,235) | (68,525) | (12,445) | (19,206) | (246,206) |
| Disposals | - | - | - | - | - | - | - |
| Closing balance | (9,103,179) | (3,347,185) | (336,610) | (418,431) | (314,107) | (261,775) | (13,781,287) |
| Net book value | 738,890 | 124,764 | 216,015 | 43,440 | 1,552 | 33,267 | 1,157,928 |
| Estimated useful life | 10-20 years | 5 years | 5-10 years | 5 years | 1-2 years | 5 years | |

Nunavut Development Corporation

Consolidated Schedule of Sales
for the year ended March 31

Schedule B

| Sales | Arts & Craft | Meat & Fish | Inter-co. elimination | | 2012 Actual | 2011 Actual |
|--------------------------------|-----------------------------|----------------------------|------------------------------|------------|------------------------|------------------------|
| | | | Dr. | Cr. | | |
| Meat & Fish | 44,798 | 316,575 | | | 361,373 | 221,955 |
| Fish | - | 2,297,810 | | | 2,297,810 | 1,503,509 |
| Quota | - | 1,443,785 | | | 1,443,785 | 1,224,711 |
| Muskox | - | 171,393 | | | 171,393 | 131,568 |
| Arts & Craft | 3,000,011 | - | | | 3,000,011 | 2,962,852 |
| Supplies | - | 548,811 | | | 548,811 | 545,362 |
| Management Fee | - | 13,612 | | | 13,612 | 7,000 |
| Intercompany sales elimination | - | - | (414,799) | | (414,799) | (358,398) |
| Total | 3,044,809 | 4,791,986 | (414,799) | - | 7,421,996 | 6,238,559 |

Nunavut Development Corporation

Consolidated Schedule of Cost of goods sold
for the year ended March 31

Schedule C

| | Arts & Craft | Meat & Fish | Inter-co. elimination | | 2012 Actual | 2011 Actual |
|-------------------------------------|-----------------------------|----------------------------|------------------------------|------------------|------------------------|------------------------|
| Cost of Goods Sold | | | Dr. | Cr. | | |
| Opening Inventory | 2,247,676 | 775,014 | | | 3,022,690 | 2,865,904 |
| Purchases | 1,691,925 | 2,793,755 | | | 4,485,680 | 3,288,613 |
| Product repair and development | 17,235 | - | | | 17,235 | 14,915 |
| Commission | 237,304 | - | | | 237,304 | 251,755 |
| Royalties | 9,879 | - | | | 9,879 | 6,623 |
| Direct Labour | 480,997 | 1,015,862 | | | 1,496,859 | 1,162,771 |
| Utilities | 124,183 | 663,586 | | | 787,769 | 601,100 |
| Plant maintenance and repair | - | 54,931 | | | 54,931 | 72,246 |
| Tools and Vehicle exp. | - | 64,445 | | | 64,445 | 55,170 |
| Food safety & Productivity expenses | - | 70,050 | | | 70,050 | 18,061 |
| Freight and packaging | 178,135 | 983,864 | | | 1,161,999 | 710,358 |
| Inventory write-down | 25,180 | - | | | 25,180 | 12,074 |
| Closing Inventory | (2,339,754) | (1,398,505) | | | (3,738,259) | (3,022,690) |
| Inter-company purchases elimination | - | - | | (414,799) | (414,799) | (358,398) |
| Total | 2,672,760 | 5,023,002 | - | (414,799) | 7,280,963 | 5,678,502 |

Nunavut Development Corporation

Consolidated Schedule of Selling and administration expenses
for the year ended March 31

Schedule D

| | | | 2012 | 2011 |
|----------------------------|-----------------------------|----------------------------|------------------|------------------|
| | Arts & Craft | Meat & Fish | Actual | Actual |
| Selling expenses | | | | |
| Advertising and promotion | 119,457 | 222,653 | 342,110 | 263,210 |
| Bad debts (recovered) | 2,580 | - | 2,580 | (2,799) |
| Board expenses | 91,362 | 19,982 | 111,344 | 121,749 |
| Bank charges and interest | 41,639 | 27,507 | 69,146 | 68,224 |
| DFO Sampling costs | - | 4,500 | 4,500 | 4,725 |
| Equipment lease | 5,898 | - | 5,898 | 10,031 |
| Freight and postage | 5,255 | - | 5,255 | 10,765 |
| Insurance | 2,556 | - | 2,556 | 2,179 |
| Legal fees | 15,549 | - | 15,549 | 36,133 |
| Licenses and lease | 357 | 19,491 | 19,848 | 18,138 |
| Loss on disposal of assets | 8,909 | - | 8,909 | - |
| Management Fees | - | 7,000 | 7,000 | 7,000 |
| Miscellaneous | 69,191 | 83,729 | 152,920 | 65,746 |
| Office supplies | 74,866 | 27,320 | 102,186 | 102,528 |
| Professional fees | 113,094 | 53,759 | 166,853 | 228,574 |
| Rent | 141,876 | - | 141,876 | 128,896 |
| Repairs and maintenance | 24,063 | 61,154 | 85,217 | 114,069 |
| Salaries and benefits | 1,637,782 | 672,024 | 2,309,806 | 2,023,923 |
| Telephone and utilities | 74,613 | 59,221 | 133,834 | 113,869 |
| Trade shows | 24,015 | - | 24,015 | 81,805 |
| Translating | 3,270 | - | 3,270 | 4,505 |
| Travel | 191,129 | 20,652 | 211,781 | 157,013 |
| Vehicle expenses | 2,700 | 44,291 | 46,991 | 21,201 |
| Total | 2,650,161 | 1,323,283 | 3,973,444 | 3,581,484 |



Pond Inlet

Clyde River

anisivik

BAFFIN ISLAND

Igloodik

Hall Beach

MELVILLE
PENINSULA

Repulse Bay

SOUTHAMPTON
ISLAND

Coral
Harbour

Chesterfield Inlet

COATS ISLAND

Rankin Inlet

Whale Cove

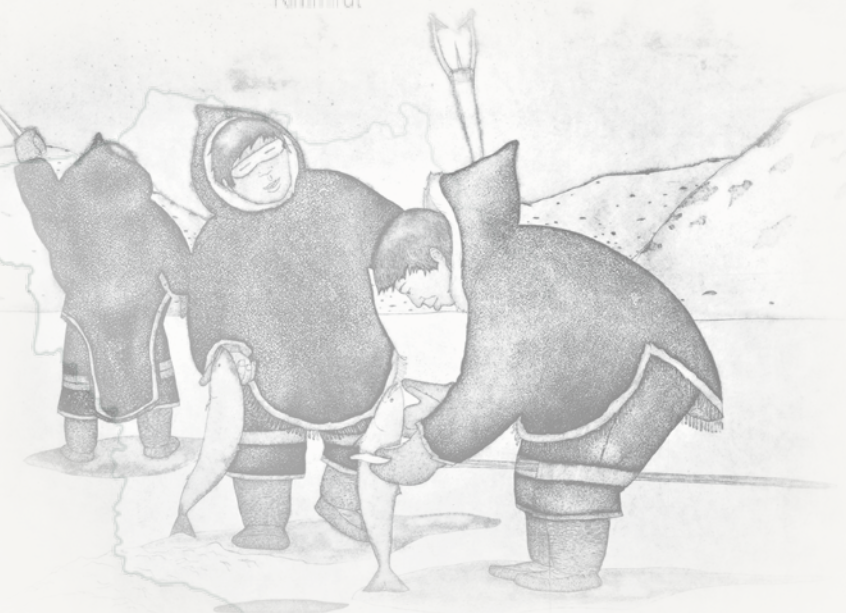
Qikiqtarjuaq

Pangnirtung

Iqaluit

Cape Dorset

Kimmirut





Supporting Business
Development in Nunavut



NDCORP.NU.CA

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