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**MANITOBA  
DEVELOPMENT  
CORPORATION**

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**Annual Report  
March 2010**



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# **MANITOBA DEVELOPMENT CORPORATION**

**Financial Statements**  
**March 31, 2010**





**MINISTER OF ENTREPRENEURSHIP,  
TRAINING AND TRADE**

Winnipeg, Manitoba CANADA  
R3C 0V8

His Honour  
The Honourable Philip S. Lee, C.M., O.M.  
Lieutenant Governor of Manitoba  
Room 235 Legislative Building  
405 Broadway Avenue  
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation  
for the fiscal year ending March 31, 2010.

Respectfully submitted,

Original Signed by ...

Peter Bjornson  
Minister



Honourable Peter Bjornson  
Entrepreneurship, Training and Trade  
Room 333 Legislative Building  
Winnipeg MB R3C 0V8

Dear Minister Bjornson:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2010, as required by Section 44 of the Development Corporation Act.

Respectfully submitted,

Original Signed by...

Hugh Eliasson  
Chairperson

# MANITOBA DEVELOPMENT CORPORATION

## CORPORATE REPORT

### CORPORATE PROFILE

#### DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Peter Bjornson

Board of Directors:

Chairperson: Hugh Eliasson  
Vice-Chairperson: Angela Mathieson  
General Manager: James Kilgour

Directors: Tannis Mindell  
Jeff Parr

#### HEAD OFFICE

1040-259 Portage Avenue  
Winnipeg, Manitoba R3B 3P4  
Telephone: (204) 945-2475  
Fax: (204) 945-1193

#### PROFILE

The Manitoba Development Corporation (MDC) provides financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. The three main programs offered by MDC are Manitoba Industrial Opportunities Program (MIOP), the Third-Party Investment Funds Program (Investment Program), and since April 1, 2005 the Provincial Nominee Program for Business (PNP-B). The Province determines which programs will be housed in MDC, what resources are available to administer the programs, and the desired outcomes for those programs.

## MANITOBA INDUSTRIAL OPPORTUNITIES PROGRAM

The Manitoba Industrial Opportunities Program provides highly flexible financial support to assist businesses expanding their operations in Manitoba. The program targets loans in excess of \$500,000.

The primary criteria in assessing any request for assistance will be:

- the viability of the business proposal;
- the applicant's level of equity contribution; and,
- the project's resulting benefits to the Manitoba economy.

The Program provides repayable, secured loans or loan guarantee assistance to recipient companies in return for significant project investment and/or long-term job creation. Most loan repayment terms are 60 to 84 months and repayment terms can be flexible. Favorable interest rates are available to businesses that undertake significant project investment, job creation or job maintenance.

The nature and level of provincial support offered to a project is established by a rigorous economic impact analysis and risk appraisal.

### Program Objectives:

The objective of the MIOP program is to secure significant business project investment which would not occur in Manitoba without the provision of some level of government assistance.

In certain cases the program supports projects that increase the number of jobs created in Manitoba; in other cases the program supports projects that increase the number of jobs maintained in Manitoba

### Program Performance and Trends:

From March 31, 2000 to March 31, 2010 the MIOP program approved 45 business expansion loans totaling \$230 million, which levered \$556 million additional capital, for a total Manitoban investment of \$786 million, supporting approximately 8,809 Manitoba jobs. In 2009/10 MDC had \$32.3 million of new loans approved, which levered \$121.3 million in additional capital, for a total Manitoba investment of \$153.6 million.

Based on new loans approved	2007/08	2008/09	2009/10
Total Projected Manitoba Capital Spend resulting from newly Approved Loans	\$38,500.0	\$113,600.0	\$153,600.0
Incremental Projected Capital Spend resulting from newly Approved Loans	\$28,500.0	\$76,600.0	\$121,300.0
Jobs Created/ Maintained resulting from newly Approved Loans	200	1,532	117

As at March 31, 2010 the program has 20 active loans totaling \$92.0 million under management, with 4,677 Manitoba full time equivalent jobs required per the loan agreements and 5,385 Manitoba full time equivalent jobs maintained.

MIOP loans made under authority of Part II of the Manitoba Development Corporation Act as published in Volume 3 of Public Accounts are as follows:

3759326 Canada Limited.....	3,256,800
Acetek Composites Inc.....	682,030
AcSION Industries Inc.....	392,263
Apotex Fermentation Inc.....	403,678
Color Ad Packaging.....	4,000,000
CP Loewen Enterprises*.....	8,216,204
DeFehr Furniture.....	4,000,000
Esis Growth Fund Inc.....	239,682
Glacier LP.....	8,800,000
Hyteck Ltd.....	10,000,000
Intelligent Hospital Systems Inc.....	2,300,000
Magellan Aerospace Ltd.....	3,253,334
Monarch Industries Ltd.....	2,999,952
Motor Coach Industries Ltd.....	6,800,000
Paletta & Co.....	4,000,000
Paletta & Co.....	1,500,000
Palliser Furniture Ltd.....	15,000,000
Premier Horticulture.....	2,833,333
Prendville Corp.....	625,000
Winnipeg Airport Authority.....	<u>11,774,183</u>
Subtotal.....	<u>91,076,458</u>
Accrued and capitalized interest.....	<u>938,486</u>
Total.....	<u>92,014,944</u>

\* Volume 3 of Public Accounts presents its statements in accordance with the recommendations of the Public Sector Accounting Board (PSAB) and has reported CP Loewen Enterprises at \$9,686,000 CND (\$8,090,000 US), which is the value of the loan on the date of first disbursement in 2008 translated into Canadian dollars. MDC reports CP Loewen Enterprises at \$8,216,204 CND (\$8,090,000 US) reflecting the changes in the Canadian dollar from the date of first disbursement in 2008 to March 31, 2010, in accordance with Canadian Generally Accepted Accounting Principles.

## THIRD-PARTY INVESTMENT FUNDS PROGRAM

The Third-Party Investment Funds Program provides investment capital to venture capital limited partnerships that are managed by the private sector, who in turn invest this capital in small to medium sized businesses. The clients for the Investment Program are businesses and professionally managed investment funds such as limited partnerships.

### Program Objectives:

- To create pools of capital that are managed in Manitoba and the capital is available to be invested in Manitoba businesses.
- Create jobs within Manitoba.
- Increase the flow of capital to Manitoba businesses.
- Earn a return on investment that exceeds the Province's cost of capital.

### Program Performance and Trends:

From its inception in 1996 to March 31, 2010, the Investment Program has advanced \$21.9 million in six limited partnerships.

Third Party Investment Funds Program equity investments net of repayments as published in Volume 3 of the Public Accounts as at March 31, 2010 are:

Canterbury Park Capital LLP .....	3,918,881
CentreStone Ventures Fund .....	2,772,639
Manitoba Science & Technology Fund .....	1,798,846
Manitoba Capital Fund.....	4,363,200
Renaissance Capital Fund.....	3,000,000
Western Life Science Venture Capital Fund LLP .....	<u>5,800,000</u>
Total .....	21,653,566

From its inception in 1996 to March 31, 2010, in aggregate the limited partnerships in the Investment Program have invested approximately \$166.5 million (2008/09 - \$159.7million and 2007/08 - \$24.7 million) into 77 business entities, of which 66 were Manitoba companies.



## PROVINCIAL NOMINEE PROGRAM FOR BUSINESS

The Province of Manitoba and Government of Canada share responsibilities regarding business people immigrating to Canada through the Provincial Nominee Program for Business Program (PNP-B). PNP-B allows Manitoba to recruit and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish, purchase a business or become partners in an existing business.

PNP-B accelerates the immigration process by providing a Nomination Certificate which allows for faster processing by the Government of Canada of immigration applications. The Province of Manitoba is committed to help new immigrants settle successfully, identify business opportunities and establish businesses or farms in the province.

### Program Objectives:

- Recruit immigrants who will contribute to the province's economy by living in Manitoba and investing in and operating a business or farm in Manitoba.
- Attract experienced young farmers who will establish a farm business operation in Manitoba.
- Provide settlement supports through a Business Settlement Office designed to reduce the barriers new business immigrants have to establishing a business in Manitoba.
- Conducts seminars and attends conferences in various regions of the world to promote Manitoba's business and lifestyle advantages to potential business immigrants.

### Program Performance and Trends:

The PNP-B monitors initial business investments by business immigrants under the program as well as the number of applicants approved

	2007/2008	2008/2009	2009/2010	Since 2001
# of Investments	51	61	92	336
Initial Investments (\$000)	\$16,150.8	\$32,431.4	\$33,487.0	\$150,543.2
Approved Applicants	217	276	387	1,693

**MANITOBA DEVELOPMENT  
CORPORATION**

**Financial Statements**  
For the year ended March 31, 2010

# MANITOBA DEVELOPMENT CORPORATION

## Financial Statements

For the year ended March 31, 2010

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BDO Canada LLP/s.r.l.  
700 - 200 Graham Avenue  
Winnipeg MB R3C 4L5 Canada

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## Auditors' Report

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### To the Shareholder of MANITOBA DEVELOPMENT CORPORATION

We have audited the balance sheet of **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2010 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada*  
LLP

Chartered Accountants

Winnipeg, Manitoba  
June 1, 2010

## MANITOBA DEVELOPMENT CORPORATION

### Balance Sheet

For the year ended March 31

2010

2009

	PNP-B	MDC Part I	MDC Part II	Total	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 465,334	\$ 569,231	\$ -	\$ 1,034,565	\$ 3,746,005
Cash held in trust	-	-	78,291	78,291	87,711
Short-term investments (Note 2)	15,504,087	4,250,000	-	19,754,087	15,629,623
Accounts receivable (Note 3)	914,051	46,631	-	960,682	39,700
	<b>16,883,472</b>	<b>4,865,862</b>	<b>78,291</b>	<b>21,827,625</b>	<b>19,503,039</b>
<b>Assets Managed for the Province of Manitoba</b>					
Loans receivable (Note 4)	-	-	88,447,357	88,447,357	74,123,948
Equity investments (Note 5)	-	-	5,685,134	5,685,134	6,140,981
<b>Trust Funds (Note 6)</b>	<b>57,856,704</b>	<b>-</b>	<b>-</b>	<b>57,856,704</b>	<b>40,018,383</b>
	<b>\$ 74,740,176</b>	<b>\$ 4,865,862</b>	<b>\$ 94,210,782</b>	<b>\$ 173,816,820</b>	<b>\$ 139,786,351</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 1,080,225	\$ 284,264	\$ -	\$ 1,364,489	\$ 2,511,357
<b>Funds provided by the Province of Manitoba</b>	<b>-</b>	<b>-</b>	<b>94,200,217</b>	<b>94,200,217</b>	<b>80,348,075</b>
<b>Trust liabilities (Note 6)</b>	<b>57,856,704</b>	<b>-</b>	<b>-</b>	<b>57,856,704</b>	<b>40,018,383</b>
	<b>58,936,929</b>	<b>284,264</b>	<b>94,200,217</b>	<b>153,421,410</b>	<b>122,877,815</b>
<b>Commitments (Note 8)</b>					
<b>Shareholder's Equity</b>					
Share capital - authorized and issued 100 shares at \$10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 1)	4,921,259	-	-	4,921,259	4,506,078
Retained earnings	10,881,988	4,580,598	10,565	15,473,151	12,401,458
	<b>15,803,247</b>	<b>4,581,598</b>	<b>10,565</b>	<b>20,395,410</b>	<b>16,908,536</b>
	<b>\$ 74,740,176</b>	<b>\$ 4,865,862</b>	<b>\$ 94,210,782</b>	<b>\$ 173,816,820</b>	<b>\$ 139,786,351</b>

Approved on behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## MANITOBA DEVELOPMENT CORPORATION

### Statement of Operations and Retained Earnings

For the year ended March 31

2010

2009

	PNP-B	MDC Part I	MDC Part II	Total	Total
<b>Income</b>					
Interest	\$ 1,271,305	\$ 121,584	\$ 4,405,143	\$ 5,798,032	\$ 4,090,528
Deposit Retentions (Note 6)	4,464,172	-	-	4,464,172	4,425,269
Recovery of Program Administration Expenses (Note 7)	32,915	-	-	32,915	20,053
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts (recovery)	-	-	6,245,525	6,245,525	4,899,382
Provision for decline in value of investments	-	-	1,613,487	1,613,487	310,445
Pro-rata share of partnership losses (income)	-	-	(493,930)	(493,930)	2,365,210
Foreign currency translation loss (gain)	-	-	1,739,156	1,739,156	(269,360)
	<b>5,768,392</b>	<b>121,584</b>	<b>13,509,381</b>	<b>19,399,357</b>	<b>15,841,527</b>
<b>Expenses</b>					
Program administration	1,239,237	94,635	-	1,333,872	1,211,159
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	4,399,143	4,399,143	2,823,352
Provision for doubtful accounts (recovery)	-	-	6,245,525	6,245,525	4,899,382
Provision for decline in value of investments	-	-	1,613,487	1,613,487	310,445
Pro-rata share of partnership losses (income)	-	-	(493,930)	(493,930)	2,365,210
Foreign currency translation loss (gain)	-	-	1,739,156	1,739,156	(269,360)
	<b>1,239,237</b>	<b>94,635</b>	<b>13,503,381</b>	<b>14,837,253</b>	<b>11,340,188</b>
Transfers to the Department of Labour and Immigration (Note 9)	524,200	-	-	524,200	351,600
Transfers to the Department of Entrepreneurship, Training and Trade (Note 9)	551,029	-	-	551,029	1,866,400
	<b>2,314,466</b>	<b>94,635</b>	<b>13,503,381</b>	<b>15,912,482</b>	<b>13,558,188</b>
<b>Net income and comprehensive income for the year</b>	<b>3,453,926</b>	<b>26,949</b>	<b>6,000</b>	<b>3,486,875</b>	<b>2,283,339</b>
<b>Retained earnings, beginning of year</b>	<b>7,843,244</b>	<b>4,553,649</b>	<b>4,565</b>	<b>12,401,458</b>	<b>10,648,040</b>
<b>Transfer from (to) Restricted Surplus</b>	<b>(415,182)</b>	<b>-</b>	<b>-</b>	<b>(415,182)</b>	<b>(529,921)</b>
<b>Retained earnings, end of year</b>	<b>\$ 10,881,988</b>	<b>\$ 4,580,598</b>	<b>\$ 10,565</b>	<b>\$ 15,473,151</b>	<b>\$ 12,401,458</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## MANITOBA DEVELOPMENT CORPORATION

### Statement of Cash Flows

For the year ended March 31	2010	2009
<b>Cash Flows from Operating Activities</b>		
Net income and comprehensive income for the year	\$ 3,486,875	\$ 2,283,339
Adjustments for		
Foreign currency translation loss (gain)	1,739,156	(269,360)
Provision for doubtful accounts (recovery)	6,245,525	4,899,382
Provision for decline in value of investments	1,613,487	310,445
Pro-rata share of partnership losses	(493,930)	2,365,210
Provision for Deposit Retentions	(4,464,172)	(4,425,269)
Recovery (reimbursement) of Part II expenses from (to)		
the Province of Manitoba	(9,104,238)	(7,305,677)
	(977,297)	(2,141,930)
Changes in non-cash working capital balances		
Accounts receivable	(920,982)	139,430
Accounts payable	(1,146,868)	1,569,217
	(2,067,850)	1,708,647
<b>Net cash flow from operating activities</b>	<b>(3,045,147)</b>	<b>(433,283)</b>
<b>Cash Flows from Investing Activities</b>		
Loans receivable		
Principal repayments	2,107,549	3,453,697
Loans issued	(24,164,020)	(25,247,861)
Change in accrued interest receivable	(251,620)	(101,786)
Equity investments		
Investments made	(663,710)	(2,374,705)
Provincial Nominee Program for Business Trust Funds	(14,739,257)	(6,675,740)
	(37,711,058)	(30,946,395)
Funds provided by the Province of Manitoba		
Part II	22,956,380	23,795,505
Provincial Nominee Program for Business	22,302,493	11,101,009
<b>Net cash flow from investing activities</b>	<b>7,547,815</b>	<b>3,950,119</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,502,668</b>	<b>3,516,836</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>19,463,339</b>	<b>15,946,503</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 23,966,007</b>	<b>\$ 19,463,339</b>
<b>Represented by:</b>		
Cash	\$ 1,034,565	\$ 3,746,005
Short-term investments	19,754,087	15,629,623
Cash held in trust	78,291	87,711
Cash held in trust included in Trust Funds	3,099,064	-
	<b>\$ 23,966,007</b>	<b>\$ 19,463,339</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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# MANITOBA DEVELOPMENT CORPORATION

## Summary of Significant Accounting Policies

**For the year ended March 31, 2010**

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These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

**Loans Receivable Under Part II** Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written-off.

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

**Equity Investments Under Part II** The Corporation's equity in investments related to share capital investments are recorded at cost. The Corporation's investments in the Vision Capital Fund, CentreStone Vision Fund, Manitoba Capital Fund, Manitoba Science and Technology Fund, Renaissance Capital Fund, Western Life Sciences Venture Fund LLP and the Canterbury Park Capital Limited Partnership Fund are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro-rata share of post acquisition earnings. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

An allowance for Equity Investments is maintained at a level considered adequate to absorb the investment risk in the portfolio. Specific allowances reduce the carrying value of individual fund investments to their net realizable amounts at year end.



# MANITOBA DEVELOPMENT CORPORATION

## Summary of Significant Accounting Policies

**For the year ended March 31, 2010**

### Financial Instruments

The Corporation utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Corporation classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

<u>Assets/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Cash held in trust	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Trust Funds	Held to maturity	Amortized cost
Equity investments (share capital)	Available for sale	Cost
Accounts payable	Other financial liabilities	Amortized cost
Funds provided by Province of Manitoba	Other financial liabilities	Amortized cost
Trust liabilities	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Available for sale items are carried at fair value, with changes in their fair value, when determinable, recognized in comprehensive income. Any provision for impairment is recognized immediately in net income. Given that the shares in all equity investments do not have a quoted market price in an active market, they are carried at cost.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.
- Held to maturity items are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

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# MANITOBA DEVELOPMENT CORPORATION

## Summary of Significant Accounting Policies

For the year ended March 31, 2010

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<b>Financial Instruments (cont'd)</b>	<p>The financial risk is the risk to the Corporation's Part I and PNPB earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.</p> <p>All financial instruments are denominated in Canadian dollars.</p> <p>The Corporation does not participate in derivative financial instrument trading.</p> <p>Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets and the change in the effective portion of a cash flow hedge transaction. The Corporation had no other comprehensive income items for the year. Because the Corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.</p>
<b>Operating Losses</b>	<p>Losses under Part I and under Part II of the Corporation are the responsibility of the Province and are charged directly against advances received from the Province.</p>
<b>Cash and Cash Equivalents</b>	<p>For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.</p>
<b>Foreign Currency Translation</b>	<p>Foreign currency accounts are translated into Canadian dollars as follows:</p> <p>At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.</p>
<b>Contributed Services</b>	<p>During the year, the Province of Manitoba provided office space and other administrative services to the corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.</p>

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# MANITOBA DEVELOPMENT CORPORATION

## Summary of Significant Accounting Policies

For the year ended March 31, 2010

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### **Program Administration and Recoveries**

Program administration expenses are recognized in the same period that they are incurred. Recovery of Program Administration Expenses revenue is recognized in the same period as the corresponding expense is incurred.

### **New Accounting Pronouncement**

Effective April 1, 2011 the Corporation will be adopting Public Sector Accounting Standards by the Public Sector Accounting Board. The Corporation is currently in the process of quantifying the impact these changes will have on its financial position.

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# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

**For the year ended March 31, 2010**

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### **1. Nature of Operations and Economic Dependence**

The Manitoba Development Corporation (the Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

The Corporation considers its capital to comprise its shareholder's equity (including share capital, restricted surplus and retained earnings). There have been no changes to what the Corporation considers to be its capital since the previous period.

As a government enterprise, the Corporation's operations are reliant on revenues generated annually. The Corporation has accumulated retained earnings over its history, which are included in retained earnings in the statement of financial position. A portion of these accumulated funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The Province of Manitoba has directed that the balance of restricted retained earnings for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings. For the year ended March 31, 2010, the Corporation has complied with these restrictions.

### **2. Short-Term Investments**

Short-term investments are comprised of marketable securities, and include term deposits, provincial bonds, and GIC's. Effective interest rates range from 0.2% to 5.5%. Maturity dates range from April 2010 to December 2015. Fair values are considered to approximate cost.

## MANITOBA DEVELOPMENT CORPORATION

### Notes to Financial Statements

**For the year ended March 31, 2010**

#### 3. Accounts Receivable

	2010	2009
Other	\$ 2,084	\$ 3,311
Accrued Interest - PNPB	780,022	36,389
Prepaid Interest - PNPB	131,945	-
Accrued Interest - MDC Part I	46,631	-
	\$ 960,682	\$ 39,700

#### 4. Loans Receivable Managed for the Province of Manitoba Under Part II

	2010	2009
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	\$ 92,014,944	\$ 75,506,908
Other Loans Receivable	11,480,001	11,230,001
	103,494,945	86,736,909
Allowance for doubtful accounts	(15,047,588)	(12,612,961)
	\$ 88,447,357	\$ 74,123,948

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	2010	2009
2010	\$ -	\$ 3,018,646
2011	5,829,942	14,555,356
2012	14,595,886	19,859,817
2013	12,409,586	8,860,514
2014	12,554,778	6,936,327
2015	12,595,917	5,729,638
Subsequent to 2015	33,477,535	16,246,930
Accrued interest	551,300	299,680
	92,014,944	75,506,908
Allowance	(15,047,588)	(12,612,960)
	\$ 76,967,356	\$ 62,893,948

## MANITOBA DEVELOPMENT CORPORATION

### Notes to Financial Statements

**For the year ended March 31, 2010**

#### 4. Loans Receivable Managed for the Province of Manitoba Under Part II (continued)

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation, under the direction of the Province, may charge interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba, but this has not happened since 2003. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2010	2009
Greater than Nil, less than 5%	<b>\$ 25,935,315</b>	\$ 27,248,661
5% or greater, less than 6%	<b>39,591,184</b>	27,517,761
6% or greater, less than 7%	<b>4,625,000</b>	4,791,667
7% or greater, less than 8%	<b>12,300,000</b>	2,000,000
8% or greater, less than 9%	<b>8,216,204</b>	12,530,256
9% or greater, less than 10%	<b>403,678</b>	726,620
Royalty-based interest repayment	<b>392,263</b>	392,263
Accrued interest	<b>551,300</b>	299,680
	<b>92,014,944</b>	75,506,908
Allowance	<b>(15,047,588)</b>	(12,612,960)
	<b>\$ 76,967,356</b>	\$ 62,893,948

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

## MANITOBA DEVELOPMENT CORPORATION Notes to Financial Statements

**For the year ended March 31, 2010**

### 5. Equity Investments Managed for the Province of Manitoba Under Part II

	2010	2009
Share capital investments		
Inspyre Solutions Inc. (formerly Faneuil ISG Inc.)	\$ 1	\$ 1
	1	1
Less: Allowance for forgiveness of shares	1	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	3,918,881	3,630,881
CentreStone Vision Fund	2,772,639	2,415,672
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,798,846	1,780,103
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	5,800,000	5,800,000
	21,653,566	20,989,856
Vision Capital Fund	1	1
	21,653,567	20,989,857
Less:		
Allowance for decline in value of investments	(11,793,062)	(10,179,575)
Pro-rata share of partnership losses	(4,175,371)	(4,669,301)
	(15,968,433)	(14,848,876)
	\$ 5,685,134	\$ 6,140,981

The investment in preference shares of Inspyre Solutions Inc. (formerly Faneuil ISG Inc.) has been recorded in the books of the Corporation at a nominal value of \$1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

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## MANITOBA DEVELOPMENT CORPORATION

### Notes to Financial Statements

**For the year ended March 31, 2010**

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#### 6. Trust Funds/Liabilities - Provincial Nominee Program for Business

	2010	2009
Gross Trust Liabilities	<b>\$ 57,856,704</b>	\$ 40,018,383

The Corporation, Manitoba Entrepreneurship, Training and Trade and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. During the 2003 fiscal year, the Corporation first entered into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit \$75,000 with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2010, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled \$54,757,640 (2009 - \$40,018,383) and with a chartered bank totaled \$3,099,064 (2009 - \$NIL). Interest earned on these deposits during the year and retained by the Corporation totaled \$1,271,305 (2009 - \$1,115,088). Actual deposits retained during the year amounted to \$4,814,198 (2009 - \$4,550,319) and are presented net of an allowance adjustment of \$350,026 (2009 - \$125,050). Net deposits retained are \$4,464,172 (2009 - \$4,425,269).

#### 7. Recovery of Program Administration Expenses and Related Party Transactions

The Corporation receives recoveries for certain Program Administration Expenses, paid for by the Provincial Nominee Program for Business, from the following source.

	2010	2009
Program participants	<b>\$ 32,915</b>	\$ 20,053



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

**For the year ended March 31, 2010**

### 8. Commitments

Commitments and undisbursed balances of approved loans and equity investments under Part II:

	<u>2010</u>	<u>2009</u>
Manitoba Industrial Opportunities Program	\$ 32,639,817	\$ 26,162,759
Manitoba Science & Technology Fund	701,154	719,897
Canterbury Park Capital	6,081,119	6,369,119
CentreStone Venture Fund Limited	1,977,361	2,374,374
Manitoba Capital Fund	353,334	353,334
	<u>\$ 41,752,785</u>	<u>\$ 35,979,483</u>

### 9. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	<u>2010</u>	<u>2009</u>
Department of Entrepreneurship, Training and Trade	\$ 551,029	\$ 1,866,400
Department of Labour and Immigration	524,200	351,600
	<u>\$ 1,075,229</u>	<u>\$ 2,218,000</u>

### 10. Financial Instruments

The carrying amounts of PNP-B and Part I financial assets and liabilities are a reasonable estimate of the fair value. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

### 11. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's presentation. Net income and comprehensive income for the year remain as previously reported.



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Winnipeg MB R3C 4L5 Canada

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## Auditors' Comments on Supplementary Financial Information

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**To the Board of Directors of  
MANITOBA DEVELOPMENT CORPORATION**

We have audited the financial statements of the Corporation as at March 31, 2010 and reported thereon dated June 1, 2010. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

*BDO Canada LLP*

Chartered Accountants

Winnipeg, Manitoba  
June 1, 2010

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## MANITOBA DEVELOPMENT CORPORATION

### Report of Assistance Granted or to be Granted

**For the year ended March 31, 2010**

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Under Part II of the Development Corporation Act, the following new assistance was authorized in the current fiscal year:

<u>Recipient</u>	<u>Term</u>	<u>Amount</u>
<u>Manitoba Industrial Opportunities Program</u>		
Glacier LP	15 year repayable term loan	\$ 9,000,000
Magellan Aerospace Ltd.	10 year repayable term loan	20,000,000
 <u>Other Under the Direction of the Province of Manitoba</u>		
Multi-Material Stewardship Manitoba Inc.	3 year loan guarantee	900,000
The MB Conservatory of Music & Arts Inc.	1 year repayable term loan	3,000,000