
**MANITOBA
DEVELOPMENT
CORPORATION**

**Annual Report
March 2011**



MANITOBA DEVELOPMENT CORPORATION

Financial Statements
March 31, 2011





**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, 2011.

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, 2011, 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 administered 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 Manitoba based businesses. 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, and/or create new jobs.

The nature and level of provincial support offered to a project is established by a detailed review of the proponent's business plan, including a rigorous cost/benefit 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 maintain existing in Manitoba

Program Performance and Trends:

From March 31, 2000 to March 31, 2011 the MIOP program approved 46 business expansion loans totaling \$232 million, which levered \$559 million additional capital, for a total Manitoban investment of \$791 million, supporting approximately 8,837 Manitoba jobs. In 2010/11 MDC had \$2.3 million of new loans approved, which levered \$5.3 million in additional capital, for a total Manitoba investment of \$7.6 million.

Based on new loans approved	2008/09	2009/10	2010/11
Total Projected Manitoba Capital Spend resulting from newly Approved Loans	\$113,600.0	\$153,600.0	\$5.3
Incremental Projected Capital Spend resulting from newly Approved Loans	\$76,600.0	\$121,300.0	\$3.0
Jobs Created/ Maintained resulting from newly Approved Loans	1,532	117	28

As at March 31, 2011 the program has 20 active loans totaling \$87.9 million under management, with 5,477 Manitoba full time equivalent jobs required per the loan agreements and 5,158 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:

Acetek Composites Inc	682,030
AcSION Industries Inc.....	392,263
Apotex Fermentation Inc.....	80,735
Color Ad Packaging (3759326 Canada Limited).....	7,256,800
DeFehr Furniture.....	1,944,444
Ensis Growth Fund Inc.....	239,682
Glacier LP	9,000,000
Hyteck Ltd.	10,000,000
Intelligent Hospital Systems Inc	2,300,000
Magellan Aerospace Ltd	10,343,289
Monteris Medical Inc	528,961
Motor Coach Industries Ltd.....	6,800,000
Paletta & Co.....	5,500,000
Palliser Furniture Ltd.....	14,100,000
Premier Horticulture	2,500,000
Prendiville Corp.....	597,222
Winnipeg Airport Authority	<u>15,608,850</u>
Subtotal.....	87,874,277
Accrued and capitalized interest	<u>1,065,616</u>
Total	88,939,892

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, 2011, the Investment Program has advanced \$22.2 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, 2011 are:

Canterbury Park Capital LLP	2,855,075
CentreStone Ventures Fund	2,911,049
Manitoba Science & Technology Fund	1,806,113
Manitoba Capital Fund.....	4,363,200
Renaissance Capital Fund.....	3,000,000
Western Life Science Venture Capital Fund LLP	<u>4,875,000</u>
Total	19,810,437

From its inception in 1996 to March 31, 2011, in aggregate the limited partnerships in the Investment Program have invested approximately \$169.5 million (2009/10 - \$166.5 million and 2008/09 - \$159.7 million) into 78 business entities, of which 67 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

	2008/2009	2009/2010	2010/11	Since 2001
# of Investments	61	92	67	404
Initial Investments (\$000)	\$32,431.4	\$33,487.0	\$13,491.5	\$164,635.8
Approved Applicants	276	387	336	2,029



THE MANITOBA DEVELOPMENT CORPORATION

Responsibility for Financial Statements

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies and procedures are established and respected.

BDO Dunwoody LLP have free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

James F. Kilgour, C.A.
General Manager

Amy Thiessen, CGA
Secretary-Treasurer

**MANITOBA DEVELOPMENT
CORPORATION**

Financial Statements
For the year ended March 31, 2011

MANITOBA DEVELOPMENT CORPORATION

Financial Statements

For the year ended March 31, 2011

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Independent Auditor's Report

To the Shareholder of MANITOBA DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the balance sheet as at March 31, 2011 and the statement of operations and retained earnings, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba
June 30, 2011

MANITOBA DEVELOPMENT CORPORATION

Balance Sheet

For the year ended March 31

2011 2010

	PNP-B	MDC Part I	MDC Part II	Total	Total
ASSETS					
Current Assets					
Cash	\$ 416,856	\$ 725,176	\$ -	\$ 1,142,032	\$ 1,034,565
Cash held in trust	-	-	380,452	380,452	78,290
Short-term investments (Note 2)	18,077,077	4,337,900	-	22,414,977	19,754,087
Accounts receivable (Note 3)	951,814	54,405	-	1,006,219	960,682
	19,445,747	5,117,481	380,452	24,943,680	21,827,624
Assets Managed for the Province of Manitoba					
Loans receivable (Note 4)	-	-	81,973,571	81,973,571	88,447,357
Equity investments (Note 5)	-	-	4,405,219	4,405,219	5,685,135
Trust Funds (Note 6)	75,528,506	-	-	75,528,506	57,856,704
	\$ 94,974,253	\$ 5,117,481	\$ 86,759,242	\$ 186,850,976	\$ 173,816,820
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current Liabilities					
Accounts payable	\$ 1,987,078	\$ 365,996	\$ -	\$ 2,353,074	\$ 1,364,489
Funds provided by the Province of Manitoba	-	-	86,754,677	86,754,677	94,200,217
Trust liabilities (Note 6)	75,528,506	-	-	75,528,506	57,856,704
	77,515,584	365,996	86,754,677	164,636,257	153,421,410
Commitments (Note 8)					
Shareholder's Equity					
Share capital - authorized and issued 100 shares at \$10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 1)	4,689,932	-	-	4,689,932	4,921,259
Retained earnings	12,768,737	4,750,485	4,565	17,523,787	15,473,151
	17,458,669	4,751,485	4,565	22,214,719	20,395,410
	\$ 94,974,253	\$ 5,117,481	\$ 86,759,242	\$ 186,850,976	\$ 173,816,820

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

	2011				2010
	PNP-B	MDC Part I	MDC Part II	Total	Total
Income					
Interest	\$ 2,003,022	\$ 268,753	\$ 4,368,597	\$ 6,640,372	\$ 5,798,032
Deposit Retentions (Note 6)	2,800,215	-	-	2,800,215	4,464,172
Recovery of Program Administration Expenses (Note 7)	33,729	-	-	33,729	32,915
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts	-	-	3,696,526	3,696,526	6,245,525
Provision for decline in value of investments (recovery)	-	-	(130,857)	(130,857)	1,613,487
Pro-rata share of partnership income	-	-	(427,609)	(427,609)	(493,930)
Foreign currency translation loss	-	-	1,382,008	1,382,008	1,739,156
	4,836,966	268,753	8,888,665	13,994,384	19,399,357
Expenses					
Program administration	1,294,545	98,866	-	1,393,411	1,333,872
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	4,374,597	4,374,597	4,399,143
Provision for doubtful accounts	-	-	3,696,526	3,696,526	6,245,525
Provision for decline in value of investments (recovery)	-	-	(130,857)	(130,857)	1,613,487
Pro-rata share of partnership income	-	-	(427,609)	(427,609)	(493,930)
Foreign currency translation loss	-	-	1,382,008	1,382,008	1,739,156
	1,294,545	98,866	8,894,665	10,288,076	14,837,253
Transfers to the Department of Labour & Immigration (Note 9)	1,293,000	-	-	1,293,000	524,200
Transfers to the Department of Entrepreneurship, Training and Trade (Note 9)	594,000	-	-	594,000	551,029
	3,181,545	98,866	8,894,665	12,175,076	15,912,482
Net income (loss) and comprehensive income for the year	1,655,421	169,887	(6,000)	1,819,308	3,486,875
Retained earnings, beginning of year	10,881,988	4,580,598	10,565	15,473,151	12,401,458
Transfer from (to) Restricted Surplus	231,328	-	-	231,328	(415,182)
Retained earnings, end of year	\$ 12,768,737	\$ 4,750,485	\$ 4,565	\$ 17,523,787	\$ 15,473,151

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	2011	2010
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	\$ 1,819,308	\$ 3,486,875
Adjustments for		
Foreign currency translation loss	1,382,008	1,739,156
Provision for doubtful accounts	3,696,526	6,245,525
Provision for decline in value of investments (recovery)	(130,857)	1,613,487
Pro-rata share of partnership gains	(427,609)	(493,930)
Provision for Deposit Retentions	(2,800,215)	(4,464,172)
Recovery (reimbursement) of Part II expenses to the Province of Manitoba	(4,520,068)	(9,104,238)
	(980,907)	(977,297)
Changes in non-cash working capital balances		
Accounts receivable	(45,537)	(920,982)
Accounts payable	988,585	(1,146,868)
Short-term investments	(2,660,890)	(4,124,464)
	(1,717,842)	(6,192,314)
Net cash flow from operating activities	(2,698,749)	(7,169,611)
Cash Flows from Investing Activities		
Loans receivable		
Principal repayments	16,455,690	2,107,549
Loans issued	(13,906,943)	(24,164,020)
Change in accrued interest receivable	228,513	(251,620)
Equity investments		
Investments made	(333,676)	(663,710)
Provincial Nominee Program for Business Trust Funds	(15,124,786)	(14,739,257)
	(12,681,202)	(37,711,058)
Funds provided by the Province of Manitoba Part II	(2,135,422)	22,956,380
Provincial Nominee Program for Business	20,472,017	22,302,493
Net cash flow from investing activities	5,655,393	7,547,815
Net increase in cash and cash equivalents	2,956,644	378,204
Cash and cash equivalents, beginning of year	4,211,920	3,833,716
Cash and cash equivalents, end of year	\$ 7,168,564	\$ 4,211,920
Represented by:		
Cash	\$ 1,142,032	\$ 1,034,565
Cash held in trust	380,452	78,290
Cash held in trust included in Trust Funds	5,646,080	3,099,065
	\$ 7,168,564	\$ 4,211,920
Supplemental cash flow information:		
Interest paid	\$ 4,181,018	\$ 4,279,834
Interest received	6,592,751	4,875,823

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

MANITOBA DEVELOPMENT CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

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, 2011

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 (see below)
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 cost, 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.

MANITOBA DEVELOPMENT CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

Financial Instruments (cont'd)	<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>
Operating Losses	<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>
Cash and Cash Equivalents	<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>
Foreign Currency Translation	<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>
Contributed Services	<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>

MANITOBA DEVELOPMENT CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

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.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments 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, 2011, 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 2011 to March 2016. Fair values are considered to approximate cost.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

3. Accounts Receivable

	2011	2010
Other	\$ -	\$ 2,084
Accrued Interest - PNPB	951,814	780,022
Prepaid Interest - PNPB	-	131,945
Accrued Interest - MDC Part I	54,405	46,631
	\$ 1,006,219	\$ 960,682

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

	2011	2010
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	\$ 88,939,892	\$ 92,014,944
Other loans receivable	11,777,792	11,480,001
	100,717,684	103,494,945
Allowance for doubtful accounts	(18,744,113)	(15,047,588)
	\$ 81,973,571	\$ 88,447,357

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

	2011	2010
2011	\$ -	\$ 5,829,942
2012	5,466,914	14,595,886
2013	14,369,415	12,409,586
2014	9,216,756	12,554,778
2015	11,236,936	12,595,917
2016	8,134,934	5,487,902
Subsequent to 2016	40,194,741	27,989,633
Accrued interest	320,196	551,300
	88,939,892	92,014,944
Allowance	(18,266,642)	(15,047,588)
	\$ 70,673,250	\$ 76,967,356

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

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:

	2011	2010
Greater than Nil, less than 5%	\$ 27,069,764	\$ 25,935,315
5% or greater, less than 6%	48,015,058	39,591,184
6% or greater, less than 7%	597,222	4,625,000
7% or greater, less than 8%	12,464,654	12,300,000
8% or greater, less than 9%	-	8,216,204
9% or greater, less than 10%	80,735	403,678
Royalty-based interest repayment	392,263	392,263
Accrued interest	320,196	551,300
	88,939,892	92,014,944
Allowance	(18,266,642)	(15,047,588)
	\$ 70,673,250	\$ 76,967,356

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, 2011

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

	2011	2010
Share capital investments		
Inspyre Solutions Inc. (formerly Faneuil ISG Inc.)	\$ 1	\$ 1
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	2,859,639	3,918,881
CentreStone Vision Fund	2,911,049	2,772,639
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,806,113	1,798,846
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	4,875,000	5,800,000
	19,815,001	21,653,566
Vision Capital Fund	1	1
	19,815,003	21,653,568
Less:		
Allowance for decline in value of investments	(11,662,205)	(11,793,062)
Pro-rata share of partnership losses	(3,747,579)	(4,175,371)
	(15,409,784)	(15,968,433)
	\$ 4,405,219	\$ 5,685,135

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.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

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

	2011	2010
Gross Trust Liabilities	\$ 75,528,506	\$ 57,856,704

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. Starting in the 2003 fiscal year, the Corporation began entering 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, 2011, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled \$69,882,426 (2010 - \$54,757,640) and with a chartered bank totaled \$5,646,080 (2010 - \$3,099,064). Interest earned on these deposits during the year and retained by the Corporation totaled \$2,003,022 (2010 - \$1,271,305). Actual deposits retained during the year amounted to \$3,225,187 (2010 - \$4,814,198) and are presented net of an allowance adjustment of \$424,972 (2010 - \$350,026). Net deposits retained are \$2,800,215 (2010 - \$4,464,172).

7. Recovery of Program Administration Expenses

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

	2011	2010
Program participants - PNP-B	\$ 33,729	\$ 32,915

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

8. Commitments

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

	2011	2010
Manitoba Industrial Opportunities Program	\$ 21,127,734	\$ 32,639,817
Manitoba Science & Technology Fund	693,887	701,154
Canterbury Park Capital	5,893,119	6,081,119
CentreStone Venture Fund Limited	1,838,951	1,977,361
Manitoba Capital Fund	353,334	353,334
	\$ 29,907,025	\$ 41,752,785

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:

	2011	2010
Entrepreneurship, Training and Trade	\$ 594,000	\$ 551,029
Labour and Immigration	1,293,000	524,200
	\$ 1,887,000	\$ 1,075,229

10. Related Party Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

11. 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.

MANITOBA DEVELOPMENT CORPORATION
Notes to Financial Statements

For the year ended March 31, 2011

12. 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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Auditor's Comments on Supplementary Financial Information

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the balance sheet as at March 31, 2011 and statement of operations and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 30, 2011 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedule is presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

BDO Canada

Winnipeg, Manitoba
June 30, 2011

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

For the year ended March 31, 2011

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>		
Monteris Medical Inc.	24 month repayable term loan	\$ 2,300,000
<u>Other Under the Direction of the Province of Manitoba</u>		
5847479 Manitoba Ltd.	4 year loan guarantee	750,000
Manitoba NetSet Ltd.	17 year repayable term loan	5,000,000