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**MANITOBA  
DEVELOPMENT  
CORPORATION**

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**Annual Report  
March 2016**



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# **MANITOBA DEVELOPMENT CORPORATION**

**Financial Statements**  
**March 31, 2016**





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**MINISTER  
OF GROWTH, ENTERPRISE AND TRADE**

Legislative Building  
Winnipeg, Manitoba CANADA  
R3C 0V8

Her Honour the Honourable Janice C. Filmon C.M., O.M.  
Lieutenant Governor of Manitoba  
Room 235 Legislative Building  
Winnipeg MB R3C 0V8

May it please Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation for the fiscal year ending March 31, 2016.

Respectfully submitted,

Original signed by

Cliff Cullen



**Growth, Enterprise and Trade**

Manitoba Development Corporation  
1040-259 Portage Ave.,  
Winnipeg, MB, Canada R3B 3P4

Honourable Clifford Cullen  
Minister of Growth, Enterprise and Trade  
Room 358 Legislative Building  
Winnipeg MB R3C 0V8

Dear Minister Cullen:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2016, as required by Section 18 of the Manitoba Development Corporation Act.

Respectfully submitted,

Original signed by

James Wilson  
Chair

# MANITOBA DEVELOPMENT CORPORATION

## CORPORATE REPORT

### CORPORATE PROFILE

#### DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Clifford Cullen

Board of Directors:

Chair: James Wilson

General Manager: Jeffrey Hodge

Director: Lynn Zapshala-Kelln

#### HEAD OFFICE

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

#### 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. There are three divisions administered by MDC: Business Support, the Provincial Nominee Program for Business (PNP-B), and Manitoba Trade and Investment Division (MTI).

Business Support administers the Manitoba Industrial Opportunities Program (MIOP) and the Third-Party Investment Funds Program (Investment Program). The PNP-B is a program for international entrepreneurs who wish to immigrate and establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium sized enterprises to promote Manitoba as a destination for foreign direct investment.

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. MDC requires approval of the Province of Manitoba to provide financial assistance, loans, guarantees or equity investments and must comply with all Provincial directives.

## MANITOBA INDUSTRIAL OPPORTUNITIES PROGRAM

The Manitoba Industrial Opportunities Program (MIOP) provides highly flexible financial support to Manitoba-based businesses. MIOP targets loans in excess of \$500,000.

The primary criteria in assessing any request for assistance are:

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

MIOP provides repayable, secured loans or loan guarantee assistance to recipient companies in return for significant project investment and/or long-term economic benefit (e.g. 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 proposal, including a cost/benefit analysis and risk appraisal.

### Program Objectives:

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

### Program Performance and Trends:

From March 31, 2000 to March 31, 2016 the MIOP program approved 53 business expansion loans totaling \$276 million, which is projected to lever \$640 million in additional capital, for a total Manitoba investment of \$916 million, supporting approximately 11,297 Manitoba jobs.

	2012/13	2013/14	2014/15	2015/16
Dollar amount of new loans approved (in millions)	\$5.5	\$6.5	\$14.0	\$11.5
Total projected Manitoba capital spend resulting from newly approved Loans	\$24.6	\$10.0	\$21.0	\$81.5
Projected capital leveraged resulting from newly approved Loans	\$19.1	\$3.5	\$7.0	\$70.0
Jobs created / maintained resulting from newly approved Loans	70	483	1,089	780

As at March 31, 2016, the program has 17 active loans to 13 companies totaling \$81.0 million under management, with 2,342 Manitoba full time equivalent jobs required per the loan agreements and 2,413 Manitoba full time equivalent jobs maintained.

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

Color Ad Packaging (3759326 Canada Ltd.) .....	4,892,556
C.P. Loewen Enterprises Ltd.....	13,175,000
Glacier L.P. ....	7,675,824
HD-Petroleum Inc. ....	2,800,000
Intelligent Hospital Systems Inc. / ARxIUM .....	766,667
Magellan Aerospace Ltd. ....	16,270,000
Medicure Inc. ....	3,888,889
Premier Horticulture Ltd. ....	833,333
Price Industries Ltd. ....	10,000,000
Sightline Innovation Inc. ....	1,000,000
6381023 Manitoba Ltd. o/a True North Foods .....	3,000,000
Winnipeg Airport Authority Inc. ....	<u>16,653,004</u>
Subtotal.....	80,955,273
Net accrued and capitalized interest .....	<u>580,182</u>
Total.....	81,535,454

## **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 two remaining funds under this program are in divestiture mode and no longer making investments.

### **Program Objectives:**

- To create pools of capital that are managed in Manitoba and available to be invested in Manitoba businesses.
- To create jobs within Manitoba.
- To increase the flow of capital to Manitoba businesses.
- To 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, 2016, the Investment Program has advanced \$23.6 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, 2016 are:

CentreStone Ventures Fund.....	3,408,522
Manitoba Science & Technology Fund.....	<u>1,832,233</u>
Total.....	5,240,755

From its inception in 1996 to March 31, 2016, in aggregate, the limited partnerships in the Third Party Investment Funds Program have invested approximately \$174.3 million into 78 business entities, of which 67 were Manitoba companies.



## **MANITOBA PROVINCIAL NOMINEE PROGRAM FOR BUSINESS**

The Province of Manitoba and Government of Canada share responsibilities regarding business people immigrating to Canada through the Manitoba Provincial Nominee Program for Business (MPNP-B). MPNP-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 or purchase a business or become partners in an existing business.

MPNP-B accelerates the immigration process by providing a Nomination Certificate to approved applicants, which allows for faster federal processing of their immigration application to Canada. 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 in Manitoba.
- Recruit farmers through the Farm Strategic Recruitment Initiative to rural Manitoba to strengthen Manitoba's key agricultural sector.

### **Program Performance and Trends:**

In August 2013, the MPNP-B introduced a new process whereby potential applicants have the opportunity to submit an Expression of Interest (EOI) as an indication of a desire to submit an application. All EOI submissions are placed in an EOI pool and are assessed based on a point system using an Adaptability Assessment Matrix. Potential applicants who had an Exploratory Visit Application to MPNP-B prior to August 2013 were given priority in making a submission to the EOI system. On Feb. 4, 2015, the EOI online submission system was opened to the public.

In addition to the new EOI system, the MPNP-B increased the deposit amount of \$75,000 to \$100,000. A non-refundable application processing fee of \$2,500 was introduced for new applications. The Young Farmer Nominee Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) to facilitate the recruitment of the most suitable farmer immigrants. The deposit amount under the FSRI is \$75,000.

MPNP-B has been successful in recruiting 120 farm business immigrants since program inception who have invested over \$112 million. The Program notes that the farm business investments recorded only include the initial investment. It does not account for additional investments made after the farm business is started. The farm business immigrants that were able to successfully establish their intended farm business quickly and successfully demonstrated the necessary net worth and practical farming skills and experiences that transfer directly to Manitoba's primary production farm industry.

The MPNP-B monitors initial business investments by business immigrants under the program. In 2015/16, the program measured 65 initial business investments by applicants. Since inception in 2001, 828 initial business investments have been made with an investment in excess of \$275 million.

## MANITOBA TRADE AND INVESTMENT

Manitoba Trade and Investment (MTI) is the lead provincial agency for international business development. MTI supports Manitoba businesses to become export capable and to diversify into domestic and international markets by delivering targeted programs and services to Manitoba small and medium-sized enterprises (SMEs). MTI also promotes Manitoba as a destination for inward investment.

As an administrative mechanism, MDC supports MTI in the facilitation of cost-sharing partnerships for specific projects and provides administrative support for missions by collecting revenues and paying related expenditures.

### SERVICES:

Export counselling – MTI staff engage in consultations with Manitoba companies interested in developing their exports. Export counselling focuses on the companies' markets of interest, market entry strategies and the companies' export capacity.

In-market experience – MTI staff and foreign representatives have over 510 years of combined international business experience and many of MTI's staff have lived / worked in the markets for which they are responsible. This experience enables them to provide first-hand knowledge of business practices, cultural considerations and consumer preferences and expectations.

Market intelligence – MTI staff combine their first hand knowledge with ongoing research and involvement with the markets to provide Manitoba companies with insight into their markets. MTI staff help Manitoba companies better understand the markets that they are pursuing.

Partnerships – MTI works in consultation with the Manitoba business community, as well as partners on activities with business organizations such as The Business Council of Manitoba, Canadian Manufacturers & Exporters (CME – Manitoba division), economic development organizations, sector associations, World Trade Centre - Winnipeg, Manitoba Chamber of Commerce, Winnipeg Chamber of Commerce, Aboriginal Chamber of Commerce and other Chambers of Commerce located throughout the province. In addition, MTI collaborated with Western provincial partners on multiple missions in the past year.

Financial programs – MTI plays an active role in the delivery of the Commercialization Support for Business (CSB) Program. Stream 3 (Market Development) of the CSB Program supports qualified Manitoba small to medium-sized enterprises with financial assistance to attend export oriented tradeshows and develop export focused marketing materials.

Languages – MTI and its foreign representatives can provide services in 17 languages; language capabilities include: English, French, Spanish, Mandarin, German, Portuguese, Hebrew, Russian, Hindi, Gujarati, Ukrainian, Dutch, Telugu, Malayalam, Bengali, Punjabi, and Japanese.

Foreign representatives – MTI has augmented the expertise and experience of its staff with foreign trade representatives in five markets (Brazil, China, Europe, India and Mexico). MTI's foreign representatives support Manitoba companies' market entry with in-country assistance. MTI continues to evaluate new markets as possible locations for new representatives.

Promote Manitoba – MTI staff promote the full range of Manitoba's capabilities internationally, including tourism, education, immigration, investment and trade.

Missions and tradeshows – outbound missions include companies from multiple sectors targeting opportunities in another province or a foreign country and include a combination of joint networking opportunities and business-to-business meetings; incoming missions normally include a small number of companies from one market or one sector from a geographic region, that have one-on-one meetings with Manitoba companies, who are potential partners / suppliers; tradeshow are sector specific marketing events in external markets where Manitoba companies promote their products / services. Missions and tradeshow are integral components of MTI's delivery on its mandate. Each market is different and requires a unique approach – tradeshow work in some markets whereas missions are a better approach for another.

Financial Statements of

**MANITOBA DEVELOPMENT  
CORPORATION**

Year ended March 31, 2016

# MANITOBA DEVELOPMENT CORPORATION

Financial Statements  
Table of Contents

Year ended March 31, 2016

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	Page
Management's Responsibility for Financial Reporting .....	1
Independent Auditors' Report.....	2
Statement of Financial Position.....	3
Statement of Operations and Accumulated Surplus .....	4
Statement of Changes in Net Financial Assets.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
Schedule A - Operations and Accumulated Surplus - PNP-B.....	20
Schedule B - Operations and Accumulated Surplus - Business Support .....	21
Schedule C - Operations and Accumulated Surplus - MTI .....	22
Schedule D - Report of Assistance Granted or to be Granted.....	23

## **MANAGEMENT REPORT**

### **Management's Responsibility for Financial Reporting**

The accompanying financial statements are the responsibility of the management of Manitoba Development Corporation and have been prepared in accordance with Canadian public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to September 26, 2016.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are follows.

The responsibility of the external audit is to express an independent opinion on whether the financial statements of Manitoba Development Corporation are fairly represented in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,  
MANITOBA DEVELOPMENT CORPORATION

Original signed by

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Jeff Hodge, General Manager

September 26, 2016



**KPMG LLP**  
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Winnipeg MB R3B 0X3  
Canada

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Page 2

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Development Corporation

We have audited the accompanying financial statements of Manitoba Development Corporation, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including Schedules A to D.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 our 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, we consider 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 Manitoba Development Corporation as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants

September 26, 2016

Winnipeg, Canada



# MANITOBA DEVELOPMENT CORPORATION

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

	PNP-B	Business support	MTI	2016 Total	2015 Total
<b>Assets</b>					
Cash and cash equivalents	\$ 34,427,438	\$ 1,484,694	\$ 424,406	\$ 36,336,538	\$ 38,571,174
Accounts receivable (note 3)	266,928	5,213	23,615	295,756	497,936
Loans receivable (note 4)	–	73,295,947	–	73,295,947	70,285,541
Portfolio investments (note 5)	16,530,607	4,265,498	500,000	21,296,105	20,079,729
Restricted funds (note 8)	53,785,759	–	–	53,785,759	50,478,658
	<b>\$ 105,010,732</b>	<b>\$ 79,051,352</b>	<b>\$ 948,021</b>	<b>\$ 185,010,105</b>	<b>\$ 179,913,038</b>
<b>Liabilities and Surplus</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,808,433	\$ 383,112	\$ 3,672	\$ 5,195,217	\$ 5,710,717
Deferred revenue (note 6)	–	389,536	9,000	398,536	439,317
Operating advance payable (note 7)	–	–	500,000	500,000	500,000
Funds provided by the Province of Manitoba	–	73,295,947	–	73,295,947	70,716,198
Deposits payable (note 8)	53,785,759	–	–	53,785,759	50,033,001
	<b>58,594,192</b>	<b>74,068,595</b>	<b>512,672</b>	<b>133,175,459</b>	<b>127,399,233</b>
Accumulated surplus (note 9)	46,416,540	4,982,757	435,349	51,834,646	52,513,805
Commitments (note 10)					
	<b>\$ 105,010,732</b>	<b>\$ 79,051,352</b>	<b>\$ 948,021</b>	<b>\$ 185,010,105</b>	<b>\$ 179,913,038</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

Original signed by James Wilson

Original signed by Jeff Hodge

# MANITOBA DEVELOPMENT CORPORATION

## Statement of Operations and Accumulated Surplus

Year ended March 31, 2016, with comparative information for 2015

	Budget	2016	2015
<b>Income:</b>			
Income from portfolio investments	\$ 1,174,991	\$ 942,924	\$ 1,911,391
Interest income	9,363,548	3,643,819	3,634,504
Deposit retentions (note 8)	9,000,000	5,026,086	11,626,130
Application processing fees (note 8)	1,250,000	783,730	768,861
Participation fees	170,000	426,180	48,827
Project revenue	96,000	5,271	311,669
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for doubtful loans receivable	1,387,156	(1,977,605)	64,477
Provision for decline in value of investments	105,000	1,315	14,070
	22,546,695	8,851,720	18,379,929
<b>Expenses:</b>			
Program administration	2,361,000	2,092,957	1,525,376
Payment of Business Support interest on loans receivable to the Province of Manitoba	8,810,000	3,263,941	3,259,920
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,977,605)	64,477
Provision for decline in value of investments	105,000	1,315	14,070
Project costs	96,000	5,271	311,669
	12,759,156	3,385,879	5,175,512
Transfers to the Department of Education and Training (formerly Education and Advanced Learning) (note 11)	208,000	208,000	208,000
Transfers to the Department of Education and Training (formerly Labour and Immigration) (note 11)	4,142,000	3,615,000	4,457,000
Transfers to the Department of Growth, Enterprise and Trade (formerly Jobs and the Economy) (note 11)	2,737,000	2,322,000	2,377,000
	19,846,156	9,530,879	12,217,512
Accumulated surplus (deficiency)	2,700,539	(679,159)	6,162,417
Accumulated surplus, beginning of year		52,513,805	46,351,388
Accumulated surplus, end of year		\$ 51,834,646	\$ 52,513,805

See accompanying notes to financial statements.

**MANITOBA DEVELOPMENT CORPORATION**

## Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus (deficiency)	\$ (679,159)	\$ 6,162,417
Net financial assets, beginning of year	52,513,805	46,351,388
Net financial assets, end of year	\$ 51,834,646	\$ 52,513,805

See accompanying notes to financial statements.

**MANITOBA DEVELOPMENT CORPORATION**

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficiency)	\$ (679,159)	\$ 6,162,417
Adjustments for:		
Provision for (reversal of) doubtful loans receivable	(1,977,605)	64,477
Provision for decline in value of investments	1,315	14,070
Deposit retentions	(5,026,086)	(11,626,130)
Amortization of bond premiums	417,232	992,310
Capitalized interest	(83,643)	(118,172)
Recovery (reimbursement) of Business Support expenses to the Province of Manitoba	1,976,290	(78,547)
Change in non-cash operating working capital:		
Restricted funds	(3,489,891)	10,252,292
Accounts receivable	202,180	521,172
Accounts payable and accrued liabilities	(515,500)	1,732,599
Deferred revenue	(40,781)	(320,462)
Net change in deposits payable	8,778,844	598,672
Cash provided by operating activities	(436,804)	8,194,698
Investing activities:		
Loans receivable principal repayments	13,635,149	11,767,843
Issuance of loans receivable	(14,584,307)	(9,566,449)
Purchase of portfolio investments	(4,751,315)	(21,213,909)
Redemption of portfolio investments	3,299,182	26,032,387
Cash provided by investing activities	(2,401,291)	7,019,872
Financing activities:		
Funds provided by (paid to) the Province of Manitoba for Business Support	603,459	(2,069,719)
Increase (decrease) in cash and cash equivalents	(2,234,636)	13,144,851
Cash and cash equivalents, beginning of year	38,571,174	25,426,323
Cash and cash equivalents, end of year	\$ 36,336,538	\$ 38,571,174
Cash and cash equivalents consists of the following:		
Cash	\$ 13,982,784	\$ 2,755,685
Cash equivalents	22,353,754	35,815,489
	\$ 36,336,538	\$ 38,571,174
Supplementary information:		
Cash paid for interest	\$ 3,263,941	\$ 3,259,920
Cash received for interest	5,214,935	7,051,616

See accompanying notes to financial statements.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2016

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## 1. Nature of operations and economic dependence:

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments under the *Manitoba Development Corporation Act*. The objectives of the Corporation are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are three divisions administered by the Corporation: Business Support, the Provincial Nominee Program for Business (PNP-B) and the Manitoba Trade and Investment Division (MTI). Business Support administers the Manitoba Industrial Opportunities Program (MIOP) and the Third-Party Investment Funds Program (Investment Program). The PNP-B is a program for international entrepreneurs who wish to immigrate and establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium sized enterprises to promote Manitoba as a destination for foreign direct investment.

The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for the financial assets due to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets. Losses are the responsibility of the Province and are charged directly against advances received from the Province.

The Corporation considers its capital to comprise its accumulated surplus (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 is 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 year's actual expenses) plus 25 percent 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 accumulated surplus. For the year ended March 31, 2016, the Corporation has complied with these restrictions.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as defined by the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

### (a) Revenue recognition

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Interest income from portfolio investments and loans receivable is recognized on an accrual basis in the fiscal period in which it is earned.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with the Province of Manitoba and banks with maturities of three months or less.

### (c) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 2. Significant accounting policies (continued):

### (d) Loans receivable under Business Support:

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans receivable to their estimated realizable amounts. Estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans and estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. Interest on loans is recorded as income on an accrual bases except for loans considered impaired. When a loan is classified as impaired, accrual of interest on the loan ceases.

Provisions are established for individual loans for which the estimated realizable amount is less than the carrying value. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans receivable as an adjustment of the provision.

### (e) Portfolio investments:

Portfolio investments consist of provincial bonds, term deposits, guaranteed investment certificates (GICs) and equity investments.

The Corporation's investments in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The Corporation's investment in GICs and term deposits are recorded at cost.

The Corporation's equity investments related to share capital investments are recorded at cost. The Corporation's investment in the CentreStone Ventures Limited Partnership and Manitoba Science and Technology Fund are accounted for using the cost method of accounting.

When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of investments.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 2. Significant accounting policies (continued):

### (f) Restricted funds:

Restricted funds are deposits held under the PNP-B (note 8) and consist of balances with banks, provincial bonds and term deposits with maturities of three months or less held with the Province of Manitoba. The provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. Term deposits are recorded at cost.

### (g) Deferred revenue:

Deferred revenue represents funds received for specific projects for which expenditures will be incurred in future periods as well as fees received in advance of event days for specific trade projects.

### (h) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

### (i) Contributed services:

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.

### (j) Use of estimates:

The preparation of financial statements requires 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 revenues and expenses during the period. Significant items subject to estimates and assumptions include the carrying amount of loans receivable and portfolio investments. Actual results could differ from those estimates.



**MANITOBA DEVELOPMENT CORPORATION**

Notes to Financial Statements (continued)

Year ended March 31, 2016

**3. Accounts receivable:**

	2016	2015
Accrued interest:		
PNP-B	\$ 266,928	\$ 457,133
Business support	5,213	25,968
Other receivables	23,615	14,835
	<u>\$ 295,756</u>	<u>\$ 497,936</u>

**4. Loans receivable managed for the Province of Manitoba:**

	2016	2015
Business support:		
Manitoba Industrial Opportunities Program - repayable	\$ 81,535,454	\$ 80,088,924
Other loans receivable	10,624,769	11,038,498
	<u>92,160,223</u>	<u>91,127,422</u>
Provision for doubtful loans receivable	(18,864,276)	(20,841,881)
	<u>\$ 73,295,947</u>	<u>\$ 70,285,541</u>

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

	2016	2015
2016	\$ –	\$ 9,111,552
2017	7,332,676	9,997,272
2018	9,926,426	11,221,304
2019	10,380,504	9,582,336
2020	8,591,928	7,223,889
2021	8,373,252	–
Subsequent to 2021	36,350,486	32,456,032
Accrued and capitalized interest	580,182	496,539
	<u>81,535,454</u>	<u>80,088,924</u>
Provision for doubtful loans receivable	(18,114,276)	(20,091,881)
	<u>\$ 63,421,178</u>	<u>\$ 59,997,043</u>

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

#### 4. Loans receivable managed for the Province of Manitoba (continued):

Interest rates charged for Manitoba Industrial Opportunities Program 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:

	2016	2015
Greater than nil, less than 5%	\$ 48,137,556	\$ 43,551,280
5% or greater, less than 6%	32,051,049	34,814,438
6% or greater, less than 7%	—	—
7% or greater, less than 8%	766,667	1,226,667
Accrued and capitalized interest	580,182	496,539
	81,535,454	80,088,924
Provision for doubtful loans receivable	(18,114,276)	(20,091,881)
	\$ 63,421,178	\$ 59,997,043

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

At March 31, 2016, other loans receivable include non-interest bearing loans (2015 - non-interest bearing loans) and maturities ranging from no fixed terms of repayment to December 2022 (2015 - ranging from no fixed terms of repayment to December 2022). At March 31, 2016, the provision for doubtful loans receivable for these loans is \$750,000 (2015 - \$750,000).

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 5. Portfolio investments:

Portfolio investments are comprised of provincial bonds, term deposits, GICs and equity investments.

	2016	2015
Provincial bonds	\$ 16,530,607	\$ 16,765,049
GICs	265,498	814,680
Term deposits	4,500,000	2,500,000
Equity investments	—	—
	<u>\$ 21,296,105</u>	<u>\$ 20,079,729</u>

The provincial bonds, which are included in PNP-B, bear interest at rates ranging from 2.05 percent to 4.50 percent (2015 - 2.05 percent to 4.50 percent) and mature between December 2016 and November 2019 (2015 - between December 2015 and November 2019). Interest earned on provincial bonds for the year ended March 31, 2016 totaled \$499,164 (2015 - \$862,141). Amortization of bond premiums for the year ended March 31, 2016 totaled \$234,442 (2015 - \$333,342). Fair value of the provincial bonds at March 31, 2016 is \$16,837,040 (2015 - \$17,203,320).

The GICs and term deposits, which are included in Business Support and MTI, bear interest at rates ranging from 0.62 percent to 1.70 percent (2015 - 0.68 percent to 3.05 percent) and mature between September 2016 and March 2017 (2015 - June 2015 and February 2017). Fair values approximate cost. Interest earned on GICs and term deposits for the year ended March 31, 2016 totaled \$76,201 (2015 - \$112,698).

Equity investments managed for the Province of Manitoba included in Business Support consist of the following:

	2016	2015
CentreStone Ventures Limited Partnership	\$ 3,408,522	\$ 3,408,522
Manitoba Science and Technology Fund	1,832,233	1,830,918
	<u>5,240,755</u>	<u>5,239,440</u>
Provision for decline in value of investments	(5,240,755)	(5,239,440)
	<u>\$ —</u>	<u>\$ —</u>

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 6. Deferred revenue:

	2016	2015
Business Support		
BFO funding (geothermal program)	\$ 214,540	\$ 235,340
Electric vehicle initiative	143,691	143,691
Manitoba Hydro funding (shallow unconventional shale gas project)	21,600	26,871
Other unearned project receipts	9,705	9,705
	<u>389,536</u>	<u>415,607</u>
MTI	9,000	23,710
Deferred revenue	<u>\$ 398,536</u>	<u>\$ 439,317</u>

## 7. Operating advance payable:

The Corporation has a \$500,000 non-interest bearing working capital advance from the Province of Manitoba for MTI. The advance is payable on demand.

## 8. Restricted funds and deposits payable:

As at March 31, restricted funds held under the PNP-B and invested with a Schedule 1 chartered bank and the Province of Manitoba were as follows:

	2016	2015
Cash and cash equivalents with a chartered bank	\$ 10,083,783	\$ 1,304,996
Amounts invested with the Minister of Finance	43,701,976	48,728,005
	<u>\$ 53,785,759</u>	<u>\$ 50,033,001</u>

Included within amounts invested with the Minister of Finance is a provincial bond with a carrying value of \$5,044,655 (2015 - provincial bonds with a carrying value of \$25,227,444) with the remainder consisting of term deposits with maturities of three months or less held with the Province of Manitoba.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 8. Restricted funds and deposits payable (continued):

The provincial bond bears interest at a rate of 2.45 percent (2015 - interest at rates ranging from 2.45 percent to 4.40 percent) and matures December 2019 (2015 - mature between December 2015 and December 2019).

Interest earned on provincial bonds for the year ended March 31, 2016 totaled \$784,791 (2015 - \$1,928,592). Amortization of bond premiums for the year ended March 31, 2016 totaled \$182,790 (2015 - \$658,698). Fair value of the provincial bond at March 31, 2016 is \$5,224,650 (2015 - fair value of the provincial bonds is \$25,862,350).

As at March 31, deposits payable under the PNP-B were as follows:

	2016	2015
Deposits payable	\$ 53,785,759	\$ 50,033,001

The Corporation, Manitoba Growth, Enterprise and Trade (formerly Jobs and the Economy) and Manitoba Education and Training (formerly Labour and Immigration) operate a program known as the Provincial Nominee Program for Business (PNP-B), which offers individuals who wish to immigrate to Manitoba to establish and operate a business the opportunity to obtain a nomination certificate. During the 2003 fiscal year, the Corporation began entering into agreements with qualified individuals whereby the immigrants commit to invest specified amounts to establish approved businesses in Manitoba within a specified period of time after landing in Canada.

As evidence of their commitment, upon approval the immigrants are required to deposit \$100,000 (or \$75,000 under the Farm Strategic Recruitment Initiative) with the Corporation prior to receiving the nomination certificate. These deposits are held 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 residence 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.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 8. Restricted funds and deposits payable (continued):

In 2014, a number of changes were introduced to the PNP-B. The deposit for the PNP-B was raised to \$100,000 from \$75,000. The Young Farmer Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) which is a special rural economic initiative under the auspices of the PNP-B. Approved immigrants under the FSRI are required to deposit \$75,000 with the corporation. Under both the PNP-B and the FSRI, a non-refundable application processing fee of \$2,500 was introduced. Total application fees collected during the year were \$783,730 (2015 - \$768,861).

Actual deposits retained during the year amounted to \$5,551,088 (2015 - \$11,701,130) and are presented net of the reversal of amounts previously retained of \$525,002 (2015 - \$75,000) as a result of immigrants subsequently satisfying the conditions of the agreements. Net deposits retained are \$5,026,086 (2015 - \$11,626,130).

## 9. Accumulated surplus:

Accumulated surplus is made up of the following:

				2016	2015
	PNP-B	Business support	MTI		
Unrestricted surplus	\$ 40,159,436	\$ 4,981,757	\$ 435,349	\$ 45,576,542	\$ 45,435,234
Restricted surplus	6,257,104	–	–	6,257,104	7,077,571
Share capital	–	1,000	–	1,000	1,000
	\$ 46,416,540	\$ 4,982,757	\$ 435,349	\$ 51,834,646	\$ 52,513,805

## 10. Commitments:

Commitments and undisbursed balances of approved loans and equity investments:

	2016	2015
Manitoba Industrial Opportunities Program	\$ 4,775,000	\$ 6,384,307
Manitoba Science & Technology Fund	667,767	669,083
CentreStone Ventures Limited Partnership	1,381,525	1,381,525
	\$ 6,824,292	\$ 8,434,915

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 11. Growing Through Immigration Strategy and Economic Development Support:

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

	2016	2015
Education and Training (formerly Education and Advanced Learning)	\$ 208,000	\$ 208,000
Education and Training (formerly Labour and Immigration)	3,615,000	4,457,000
Growth, Enterprise and Trade (formerly Jobs and the Economy)	2,322,000	2,377,000
	<u>\$ 6,145,000</u>	<u>\$ 7,042,000</u>

## 12. 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.

## 13. Financial risks and concentration of risk:

### (i) Credit risk:

Credit risk is the risk that one party to a financial instruments fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash and cash equivalents, portfolio investments, accounts receivable, loans receivable and trust funds.

The maximum exposure of the Corporation to credit risk at March 31 is:

	2016	2015
Cash and cash equivalents	\$ 36,336,538	\$ 38,571,174
Accounts receivable	295,756	497,936
Loans receivable	73,295,947	70,285,541
Portfolio investments	21,296,105	20,079,729
Restricted funds	53,785,759	50,478,658
	<u>\$ 185,010,105</u>	<u>\$ 179,913,038</u>

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 13. Financial risks and concentration of risk (continued):

Cash and cash equivalents and restricted funds: the Corporation is not exposed to significant credit risk as the cash and cash equivalents and restricted funds are primarily held by the Minister of Finance and with a Schedule 1 Canadian chartered bank.

Accounts receivable, loans receivable and portfolio investments: the Corporation establishes an allowance that represents its estimate of potentially uncollectible loans and recoverable portfolio investments. The provision for doubtful loans receivable is determined with reference to the Corporation's historical loss experience on similar loans and management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of estimates. Management of credit risk is an integral part of the Corporation's activities with careful monitoring and appropriate remedial actions being taken.

Management has determined that the allowance required for loans receivable as at March 31, 2016 is \$18,864,276 (2015 - \$20,841,881).

Management has determined that the allowance required for portfolio investments as at March 31, 2016 is \$5,240,755 (2015 - \$5,239,440).

### (ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance and a Schedule 1 Canadian chartered bank. The term deposits are interest bearing with short-term to maturity. As the term deposits are normally held to maturity, changes in interest rates do not affect their value.



# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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## 13. Financial risks and concentration of risk (continued):

### (iii) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due.

The Corporation manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations. Funds provided by the Province of Manitoba have a direct correlation to the loans receivable and equity investments as funds borrowed are used for these purposes. Funding is provided by the Province of Manitoba for the full amount of loans receivable and equity investments that are written off. Subsequently, the Corporation has minimal liquidity risk on its loans receivable and equity investments in respect of the funds provided by the Province of Manitoba.

**MANITOBA DEVELOPMENT CORPORATION**

Schedule of Operations and Accumulated Surplus - PNP-B

Schedule A

Year ended March 31, 2016, with comparative information for 2015

	Budget	2016	2015
<b>Income:</b>			
Income from portfolio investments	\$ 1,056,991	\$ 866,723	\$ 1,798,693
Interest income	460,790	377,805	368,981
Deposit retentions	9,000,000	5,026,086	11,626,130
Application processing fees	1,250,000	783,730	768,861
	11,767,781	7,054,344	14,562,665
<b>Expenses:</b>			
Program administration	2,091,000	1,623,129	1,390,345
Transfers to the Department of Education and Training (formerly Education and Advanced Learning)	208,000	208,000	208,000
Transfers to the Department of Education and Training (formerly Labour and Immigration)	4,142,000	3,615,000	4,457,000
Transfers to the Department of Growth, Enterprise and Trade (formerly Jobs and the Economy)	2,737,000	2,322,000	2,377,000
	9,178,000	7,768,129	8,432,345
Annual surplus (deficiency)	2,589,781	(713,785)	6,130,320
Accumulated surplus, beginning of year		47,130,325	41,000,005
Accumulated surplus, end of year		\$ 46,416,540	\$ 47,130,325

**MANITOBA DEVELOPMENT CORPORATION**

Schedule of Operations and Accumulated Surplus - Business Support

Schedule B

Year ended March 31, 2016, with comparative information for 2015

	Budget	2016	2015
<b>Income:</b>			
Interest from portfolio investments	\$ 103,000	\$ 72,792	\$ 107,798
Interest income	8,902,758	3,266,014	3,265,523
Project revenue	96,000	5,271	311,669
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for doubtful loans receivable	1,387,156	(1,977,605)	64,477
Provision for decline in value of investments	105,000	1,315	14,070
	10,593,914	1,367,787	3,763,537
<b>Expenses:</b>			
Program administration	100,000	64,623	78,786
Payment of Business Support interest on loans receivable to the Province of Manitoba	8,810,000	3,263,941	3,259,920
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,977,605)	64,477
Provision for decline in value of investments	105,000	1,315	14,070
Project costs	96,000	5,271	311,669
	10,498,156	1,357,545	3,728,922
Annual surplus	95,758	10,242	34,615
Accumulated surplus, beginning of year		4,972,515	4,937,900
Accumulated surplus, end of year		\$ 4,982,757	\$ 4,972,515

**MANITOBA DEVELOPMENT CORPORATION**

Schedule of Operations and Accumulated Surplus - MTI

Schedule C

Year ended March 31, 2016, with comparative information for 2015

	Budget	2016	2015
Income:			
Income from portfolio investments	\$ 15,000	\$ 3,409	\$ 4,900
Participation fees	170,000	426,180	48,827
	185,000	429,589	53,727
Expenses:			
Program administration	170,000	405,205	56,245
Annual surplus (deficiency)	15,000	24,384	(2,518)
Accumulated surplus, beginning of year		410,965	413,483
Accumulated surplus, end of year		\$ 435,349	\$ 410,965

**MANITOBA DEVELOPMENT CORPORATION**

Report of Assistance Granted or to be Granted

Schedule D

Year ended March 31, 2016

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Under the *Manitoba Development Corporation Act*, the following new assistance was authorized in the current fiscal year:

MIOP	Term	Amount
C.P. Loewen	Merged with existing loan	\$7,000,000
Sightline Innovation	10 year repayable term loan	\$2,000,000
HD Petroleum	10 year repayable term loan	\$3,975,000

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