

NUNAVUT DEVELOPMENT CORPORATION



TABLE OF CONTENTS

Board of Directors	2
Corporate Governance and Management	3
NDC Headquarters	4
Job Creation	5
Investments That Make a Difference	6
Sales Division	7
Subsidiary Operational Summary	9
Contract, Procurement and Leasing Activity	14
Consolidated Financial Statements	15



Dear Minister,

I am pleased to present to you the 2018-19 Annual Report of the Nunavut Development Corporation (NDC). The year just ended was a busy one. Our investments and support for our Nunavut partner companies, business enterprises and projects help us achieve key corporate objectives including the creation of income earning opportunities for Nunavummiut, the growth of business and the diversification of our local economies.

Our partner company, Cambridge Bay based Kitikmeot Foods Ltd, again completed a successful char harvest and its partnership with US based Clean Fish Inc continued to flourish with thousands of pounds of fresh arctic char making its way from remote rivers in the Kitikmeot to restaurants in the US. Likewise with our venture investment business enterprise partner the Arctic Fisheries Alliance Inc. The Arctic Fishery Alliance Inc is owned by local HTOs in Grise Fiord, Resolute Bay, Arctic Bay and Qikiqtarjuaq and their involvement in Nunavut's offshore turbot fishery annually yields millions of pounds of turbot destined for markets in places like Korea and Japan. Although Kitikmeot Foods and the Arctic Fishery Alliance operate their fisheries on very different scales, the income earning opportunities and economic diversification such businesses bring to our local and territorial economies are critically important.

Another example from last year involves our partner company Taluq Designs Ltd in Taloyoak. NDC working closely with Taluq Designs, the Dept of Economic Development and Transportation and the Department of Family Services ran a two month workshop lead by local seamstresses teaching eight young ladies the basics of sewing and production. Whether slippers, mitts, packing animals or other creations the workshop was a resounding successes creating both training and income earning opportunities for the participants and a new source of supply for Taluq Designs to sell across the north.

Business enterprise partner Tukumaaq Inc in Clyde River continues to innovate across many different levels. Recognizing a need in their community, this local corporation owns and operates the Naujaaraaluit Hotel providing accommodations to visitors to this busy Baffin Island community. Along with providing for an important source of local employment, the project helped foster a strong element of local economic diversification and private business growth in the community.



Likewise with the Jessie Oonark Center in Baker Lake; along with proving commercial office space to local agencies and associations and providing a space for an artist Martha Noah to create her jewellery the company also operates a well-known gift shop that carries unique art and craft items produced by local crafts people along with art from across Nunavut. The Jessie Oonark Center maintains a productive working relationship with Agnico Eagle Mines who frequently have them up to the Meadowbank Mine to set up shop and sell their Nunavut produced goods on site. Again along with providing local income and employment opportunities, this company help brings an element of local diversification.

I would like to extend my thanks to the staff of the Corporation and my fellow board members; I believe we have a strong team. Our board met three times last year in Igloolik, Rankin Inlet and once by teleconference while the Executive Committee met twice with the Corporation's auditors to review both audit planning and the results of the annual audit in advance of presenting the financial statements to the board of directors for approval. In closing I would like to acknowledge our strong working partnership with colleagues at both the Nunavut Business Credit Corporation and the Dept of Economic Development and Transportation; I encourage collaboration and frequent communications as I believe it benefits us all. Finally I would like to thank you Minister for your ongoing support in my role as Chairperson of NDC.

Sincerely

Donald Havioyak
Chairperson

BOARD OF DIRECTORS

The Minister responsible for the Nunavut Development Corporation is the Honourable David Akeeagok. NDC Board Members are appointed to three-year terms by the Government of Nunavut and represent a strong cross section of Nunavut's diverse population. The NDC Board meet three times in 2018-19; twice face to face and once by teleconference.

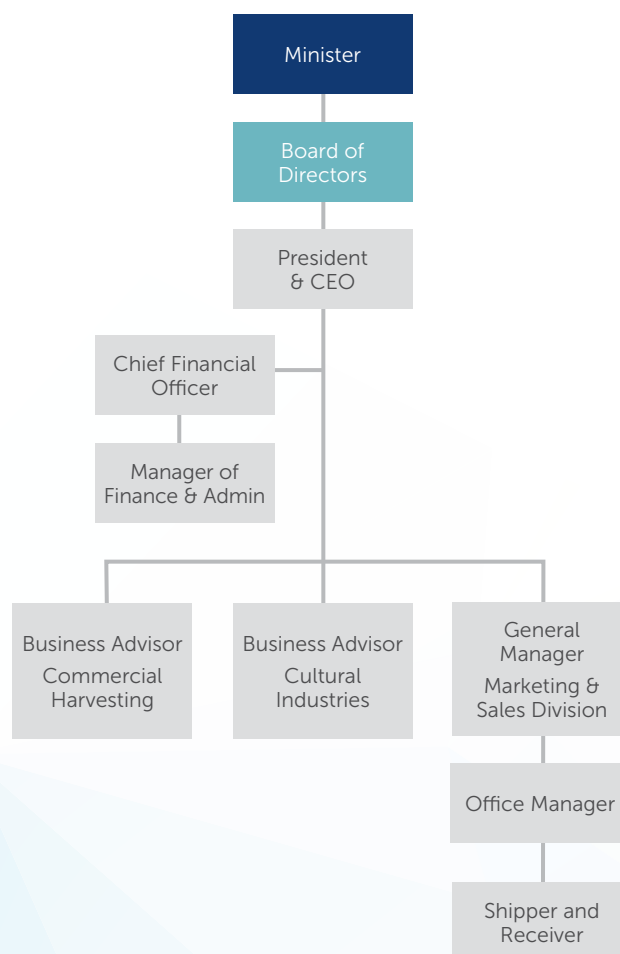
Section 20 of the Act establishes three subcommittees as follows:

- Investment Committee
- Audit Committee
- Personnel Committee

The NDC Board has elected to establish a single Executive Committee consisting of Chairperson Donald Havioyak, Vice-Chairperson Zacharias Kunuk and Secretary Sakiasie Sowdloopik to undertake the responsibilities of the three committees set out in the Act. In carrying out its responsibilities and making recommendations to the full Board, the Executive Committee was required to meet three times in the year just ended.

The 2018-19 NDC Board of Directors is as follows:

	POSITION	COMMUNITY	APPOINTMENT EFFECTIVE	APPOINTMENT EXPIRES
Donald Havioyak	Chairperson	Kugluktuk	March 09, 2018	March 08, 2021
Zacharius Kunuk	Director	Igloolik	March 09, 2018	March 08, 2021
Sakiasie Sowdloopik	Director	Pangnirtung	March 02, 2018	March 08, 2021
Kolola Pitsiulak	Director	Kimmirut	March 09, 2018	March 08, 2021
Remi Krikort	Director	Kugarruk	Dec 01, 2016	November 30, 2019
Helen Kaloon	Director	Gjoa Haven	Dec 01, 2016	November 30, 2019
Dudley Maseko	Director	Iqaluit	March 09, 2018	March 08, 2021
Jonas Arreak	Director	Pond Inlet	March 09, 2018	March 08, 2021



CORPORATE **GOVERNANCE** AND **MANAGEMENT**

The Nunavut Development Corporation (the “Corporation” or “NDC”) is a territorial corporation of the Government of Nunavut named in Schedule B of the Financial Administration Act (“FAA”) and operates in accordance with Part IX of the FAA, the Nunavut Development Corporation Act (the “Act”) and the Business Corporations Act. The Act sets out the parameters under which the Corporation operates.

OUR MANDATE (THE “ACT”)

To incorporate, establish and carry on the business of companies or corporations and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to:

- Create employment and income for residents of Nunavut, primarily in small communities
- Stimulate the growth of business in Nunavut, and
- Promote economic diversification and stability

To invest in business enterprises in order to:

- Stimulate the growth of business in Nunavut, and
- Promote economic diversification and stability

To promote the economic objectives of the Government of Nunavut.

OUR VISION

We are responsible and transparent; we believe that employment and income-earning opportunities positively impact quality of life and lead to healthier communities. Job creation and maintenance will be measured and will be key indicators of our success.

OUR MISSION

To make responsible investments in target Nunavut economic sectors, including fisheries, cultural industries and tourism that help create employment and income opportunities, stimulate the growth of business, and promote economic diversification and stability with an emphasis on investing in Nunavut’s smaller communities.



NDC HEADQUARTERS

ANNUAL SUMMARY	2019	2018
Total Revenues	\$1.66 million	\$1.65 million
Total Expenses	\$1.45 million	\$1.47 million
Annual Surplus	\$206,000	\$180,000
Jobs Created or Maintained	5.50	5.00
Core Funding - Operations*	\$1.45 million	\$1.45 million
Core Funding - Capital*	\$4,000	\$39,800

*(Core Funding included in revenues)

President & CEO

Darrin Nichol

Chief Financial Officer

Balaji Ramamani CF, CMA (US)

Manager of Finance and Administration

Bernadette Tutanuak

Business Advisor (Cultural Industries)

Goretti Kakuktinniq

Business Advisor (Commercial Harvesting)

Kyle Tattuinee

THE BIGGEST LITTLE SHOP IN NUNAVUT

Sandra Nuviyak and Brenda Tagalik are constantly busy keeping Ivalu well stocked.

That's no easy job, considering you would be hard-pressed to find a more diverse inventory of Inuit and northern-themed goods anywhere in the territory.

The modestly sized Rankin Inlet storefront is packed with Nunavut-made jewellery, sculptures, sewn goods and an ever-growing catalogue of books from northern publishers like Inhabit Media.

The company strives to carry products from all corners of Nunavut and beyond, which means that it is the place to find new creations from up-and-coming artists, like apparel and beaded jewellery from Kyak Boutique. Ivalu also supplies other Nunavut and northern retailers looking to enhance their profitable Arctic product lines.

Ivalu takes orders online (ivalu.ca) and also welcomes wholesaling opportunities with other Nunavut and Northern retailers.



JOB CREATION

The following Nunavut jobs were created or maintained during the 2018-2019 fiscal year. These job creation or maintenance figures are consistent with the Corporation's Investment and Divestment Guidelines, which define:

- a Direct Job as 50 weeks of employment per year or 1,500 hours of work during the year
- a Direct Traditional Job as \$37,997 paid during the year directly to individuals such as artists, fishermen, hunters and seamstresses
- an Indirect job as \$37,997 paid during the year by other organizations but as a result of NDC's programs and services

INVESTMENTS	DIRECT JOBS	DIRECT TRADITIONAL JOBS	INDIRECT JOBS	TOTAL JOBS 2019	TOTAL JOBS 2018
Subsidiaries					
Kivalliq Arctic Foods Ltd.	7.82	4.12	-	11.94	13.69
Kitikmeot Foods Ltd.	6.41	2.94	-	9.35	9.40
Ivalu Ltd.	1.37	5.90	-	7.27	7.28
Jessie Oonark Ltd.	4.45	1.31	-	5.76	5.07
Kiluk Ltd.	3.56	0.67	-	4.23	4.63
Taluq Designs Ltd.	1.56	1.05	-	2.61	2.80
Uqqurmiut Arts & Crafts Ltd.	8.65	6.43	-	15.08	15.33
Venture Investments					
Arctic Fishery Alliance Ltd.	-	-	30.26	30.26	21.32
Arctic UAV Inc.	-	-	2.91	2.91	-
Sudliq Developments Ltd.	-	-	13.72	13.72	18.16
Tukumaaq Suites Inc.	-	-	3.74	3.74	4.20
Nunavet Animal Hospital Inc.	-	-	4.26	4.26	4.55
CHOU Consulting & Dev Inc.	-	-	2.51	2.51	-
Projects					
WAG @ Forks	-	-	4.21	4.21	6.13
Nunavut Qiviut Inc	-	-	0.47	0.47	0.10
Ikalukpik Fish Plant	-	-	0.76	0.76	0.81
Sub-total	33.82	22.42	62.84	119.08	113.47
Nunavut Development Corporation	5.50	15.00	-	20.50	26.84
Total	39.32	37.42	62.84	139.58	140.31

INVESTMENTS THAT MAKE A DIFFERENCE

NDC invests equity capital (shares) in Nunavut-based companies that demonstrate significant employment and income-earning potential for Nunavummiut. Our investments are meant to help stimulate the growth of business and promote economic diversification with an emphasis on placing investments in Nunavut's smaller communities.

VENTURE EQUITY INVESTMENTS

Arctic Fisheries Alliance LP. Qikiqtarjuaq, Nunavut Non-Voting, Preferred Share Interest	\$250,000
Sudliq Developments Ltd. Coral Harbour, Nunavut Non-Voting, Preferred Share Interest	\$375,000
Tukumaaq Suites Inc. Clyde River, Nunavut Non-Voting, Preferred Share Interest	\$ 400,000
NunaVet Animal Hospital Inc. Iqaluit, Nunavut Non-Voting, Preferred Share Interest	\$126,500
CHOU Consulting and Development Inc. Cambridge Bay, Nunavut Non-Voting, Preferred Share Interest	\$125,000
Arctic UAV Inc. Iqaluit, Nunavut Non-Voting Preferred Shares Interest	\$300,000



SEWING TOGETHER THE GENERATIONS

Don't be surprised to see more handmade slippers, mitts and tea cozies coming out of Taloyoak soon.

In November 2018, Taluq Designs Ltd.—a sewing studio and retail outlet based in Taloyoak—organized an eight-week sewing workshop for women in the community. Workshop participants learned how to create many of the core items produced by Taluq Designs, like the famous red amauti packing polar bear that's become familiar to all Inuit craft lovers.

Maudie Ikitliq, an accomplished seamstress from Taloyoak, led the well-attended workshop. She is hopeful the workshop will encourage a new generation of women in the Kitikmeot community to start sewing, both to boost Taluq's production capacity and to also allow them to generate additional income earning opportunities. Ikitliq noted it is difficult to find local people to help sew for Taluq Designs—it's not like it used to be with everyone being so busy these days, she explained.

Mona Igutsaq, General Manager of Taluq Designs, led the initiation of the workshop, with support from the Department of Economic Development and Transportation in Kugluktuk, the Kitikmeot Inuit Association in Cambridge Bay and the Nunavut Development Corporation in Rankin Inlet.

NDC SALES DIVISION

The Nunavut Development Corporation’s Sales Division and retail outlet located in Toronto, focuses on the national and international marketing, distribution and sales of our Nunavut arts and crafts products. Ivalu Ltd, in Rankin Inlet, concentrates on the Northern and Nunavut market.

The Sales Division promotes Nunavut sculpture and many other unique art items to galleries across Canada, the U.S. and around the world. The convenient location close to Pearson International Airport, helps facilitate out of town and out of country sales to visiting galleries and dealers. Customers visit the showroom throughout the year and come from all over Canada, as well as from international cities, like Paris or Bern.

Working with partner companies Kiluk Ltd., Taluq Ltd., Jessie Oonark Ltd., and Uqqurmiut Arts and Crafts Ltd., helps ensure the diversity and the quality of Nunavut products that are in demand by retailers and their customers. The Sales Division ensures locally produced Nunavut arts and crafts are distributed and promoted across the territory as well as nationally and internationally, with our partner galleries and resellers.

The sales team at NDC are well recognized for their knowledge and expertise in the arts and crafts industry in Nunavut. The level of client and customer service care delivered by the sales team is known to be exceptional.



ANNUAL SUMMARY	2019	2018
Total Revenues	\$1.13 million	\$1.21 million
Total Expenses	\$1.15 million	\$1.13 million
Annual Surplus / (Deficit)	\$(14,000)	\$79,800
Jobs Created or Maintained	15.00	21.84
Core Funding - Operations*	\$200,000	\$200,000
Core Funding - Capital*	\$13,800	-

*(Core Funding included in revenues)

General Manager

Yusan Ha

Office Manager

Teresa Silva

Shipper/Receiver

Jhon Diaz



AN UNDERGROUND MARKET

It's not every day a worker at a remote mine site can finish his or her 12-hour shift driving a haul truck, get cleaned up and then physically browse a wide array of world-class art.

Really, you wouldn't think it possible to finish off your Christmas shopping while working at camp, but the Nunavut Development Corporation (NDC) provided employees of Agnico Eagle's Meliadine and Meadowbank gold mines in the Kivalliq region with that opportunity last year.

Just in time for Christmas, NDC collected a selection of Nunavut-made arts and crafts from its subsidiary companies—Ivalu Ltd., Taluq Designs, the Uqqurmiut Centre for Arts and Crafts, and the Jessie Oonark Centre—and set up a makeshift onsite market for hundreds of Agnico Eagle workers. There were sealskin mitts from Kiluk on display alongside iconic Pangnirtung hats, and jewellery, prints and soapstone carvings made by artists living all across the territory.

The sales were organized by request of Agnico Eagle to allow its many southern fly-in/fly-out workers an opportunity to witness the craftsmanship of Nunavut's artists. The market gave these workers the ability to pick up gifts for friends and family, to show their loved ones a glimpse of where they go to work. Likewise, the markets gave Nunavummiut employed with Agnico Eagle the occasion to purchase regionally specific furs or clothing items unavailable in their hometowns.

NDC has been coordinating these markets at Agnico Eagle's Nunavut mines for two years now. Not only do these events generate thousands in sales each visit, but they also raise awareness of the many high-quality goods being manufactured in Nunavut.



SUBSIDIARY OPERATIONAL SUMMARY



SUBSIDIARY OPERATIONAL SUMMARY

Ivalu Ltd.

	2019	2018
Total Revenues	\$735,000	\$753,800
Total Expenses	\$650,300	\$661,500
Annual Surplus	\$84,700	\$92,300
Jobs Created or Maintained	7.27	7.28
NDC Capital Fund Contributions*	\$3,500	\$4,000

*(Capital Fund contributions are included in revenues)

General Manager

Sandra Nuviyak

Board of Directors

Goretti Kakuktinniq

Brian Zawadski

Chris Rudd



Jessie Oonark Ltd.

	2019	2018
Total Revenues	\$434,300	\$416,700
Total Expenses	\$437,400	\$367,000
Annual Surplus / (Deficit)	\$(3,100)	\$49,700
Jobs Created or Maintained	5.76	5.07
NDC Subsidy Fund Contributions*	\$165,000	\$165,000
NDC Capital Fund Contributions*	\$24,500	\$26,700

*(Subsidy and Capital Fund contributions are included in revenues)

General Manager

David Ford

Board of Directors

Bernadette Tutanuak

Hugh Tulurialik

Sarah Arhniq

Nathan Annanuat

Elizabeth Aupaluktuq



Kiluk Ltd.

	2019	2018
Total Revenues	\$412,300	\$396,200
Total Expenses	\$414,300	\$371,500
Annual Surplus / (Deficit)	\$(2,000)	\$24,700
Jobs Created or Maintained	4.23	4.63
NDC Subsidy Fund Contributions*	\$140,000	\$140,000
NDC Capital Fund Contributions*	\$13,000	\$1,700

*(Subsidy and Capital Fund contributions are included in revenues)

General Manager

Sherlyn Price

Board of Directors

Hattie Alagalak

Eva Arnalukjuaq

Lena Arviyut

Goretti Kakuktinniq



Kitikmeot Foods Ltd.

	2019	2018
Total Revenues	\$1.10 million	\$1.05 million
Total Expenses	\$1.04 million	\$0.86 million
Annual Surplus	\$60,000	\$192,500
Jobs Created or Maintained	9.35	9.40
NDC Subsidy Fund Contributions*	\$330,000	\$330,000
NDC Capital Fund Contributions*	\$28,500	\$16,400

*(Subsidy and Capital Fund contributions are included in revenues)

General Manager
Stephane Lacasse

Board of Directors

Bill Lyall
Jim MacEachern
Wilf Wilcox
Brian Zawadski
Kyle Tattuinee
Jamie Maghagak



Kivalliq Arctic Foods Ltd.

	2019	2018
Total Revenues	\$1.17 million	\$0.98 million
Total Expenses	\$1.04 million	\$0.86 million
Annual Surplus	\$130,000	\$119,200
Jobs Created or Maintained	11.94	13.69
NDC Subsidy Fund Contributions*	\$260,000	\$260,000
NDC Capital Fund Contributions*	\$14,000	\$49,800

*(Subsidy and Capital Fund contributions are included in revenues)

General Manager
Scott Sadler

Board of Directors

Brian Zawadski
Chris Rudd
Kyle Tattuinee
Tommy Bruce



Papirug Fisheries Ltd.

	2019	2018
Total Revenues	\$1,900	-
Total Expenses	\$11,800	\$10,600
Annual Deficit	\$(9,900)	\$(10,600)
NDC Capital Fund Contributions*	\$1,900	-

*(Capital Fund contributions are included in revenues)

Board of Directors
Brian Zawadski



SUBSIDIARY OPERATIONAL SUMMARY

Taluq Designs Ltd.

	2019	2018
Total Revenues	\$185,500	\$149,300
Total Expenses	\$192,800	\$150,800
Annual Deficit	\$(7,300)	\$(1,500)
Jobs Created or Maintained	2.61	2.80
NDC Subsidy Fund Contributions*	\$70,000	\$70,000

*(Subsidy Fund contributions are included in revenues)

General Manager

Mona Igutsaq

Board of Directors

Goretti Kakuktinnig

Elizabeth Aiyout

Anayok Alookey

Ingmalluq Uttaq

Brian Zawadski

Gina Pizzo

Viola Neeveeachak



Uqqurmiut Arts & Crafts Ltd.

	2019	2018
Total Revenues	\$899,200	\$806,900
Total Expenses	\$849,100	\$737,700
Annual Surplus	\$50,100	\$69,200
Jobs Created or Maintained	15.08	15.33
NDC Subsidy Fund Contributions*	\$238,000	\$238,000
NDC Capital Fund Contributions*	-	\$30,000

*(Subsidy and Capital Fund contributions are included in revenues)

General Manager

Elena Akpalialuk

Board of Directors

Jacopie Maniapik

Towkie Karpik

Geetee Maniapik

Manasie Noah

Brian Zawadski

Johneelee Nakashook

Jaco Newkingak

Jimmy Uniukshagak



A HUNGRY MARKET

You never know what Scott Saddler might come up with next.

His latest creation? A muskox sausage, which comes in a variety of flavours, that's proving popular in Nunavut households and commercial establishments alike.

Saddler, General Manager at Kivalliq Arctic Foods (KAF), is a long-time Nunavut resident with an extensive background in food production and meat processing. From its facility in Rankin Inlet, KAF staff produce a wide assortment of caribou, muskox and Arctic char products for customers across Nunavut—be it a family in Pond Inlet, a school in Arctic Bay or a food service business in Rankin Inlet. These products include country food staples like pipsi (traditional dried char) and maktaaq to newer creations, like Saddler's muskox sausage.

KAF strives to meet the country food needs of Nunavummiut by partnering with local harvesters. Saddler and his team work with Inuit hunters and fishermen from across the Kivalliq—

and occasionally other Nunavut regions—to meet this growing demand.

KAF also works closely with the communities of Chesterfield Inlet and Whale Cove, which operate fish- and maktaaq-processing facilities in the summer months, to supply products for redistribution across Nunavut. As a business based in Nunavut, KAF is acutely aware of the delicate balance between commercial harvesting and the sustainability of Nunavut's wildlife and operates accordingly.

Food safety is also critical to KAF, which works alongside industry specialists and the Canadian Food Inspection Agency on its fish processing. KAF ensures that no matter what creative country food products its general manager dreams up, they will meet the quality standards of hungry Nunavummiut.



CONTRACT, PROCUREMENT AND LEASING ACTIVITY **REPORTING**

2018-19 Contracting Activity Report

COMMUNITY	VENDOR	PROJECT	AWARD METHOD	2018-19 VALUE	2017-18 VALUE	INUIT FIRM STATUS	NUNAVUT BUSINESS STATUS
Rankin Inlet	Dean Food Safety Systems	Food Safety Consulting HACCP / QMP	SS	\$59,223	\$59,775	-	-
Rankin Inlet	Gowling Lafleur Henderson	Legal Counsel	PRFP	\$14,993	\$16,517	-	-
Rankin Inlet	R&T Cleaning Enterprises	Janitorial	PRFP	\$12,862	\$10,200	-	•
Iqaluit	Outcrop Nunavut	Communications	SOA	\$69,862	\$59,240	-	•
Rankin Inlet	Lester Landau Chartered Accountants	Subsidiary Audit	SOA	\$44,615	\$48,467	-	•
Total				\$201,555	\$194,199		

2018-19 Leasing Activity Report

COMMUNITY	VENDOR	PROJECT	AWARD METHOD	START DATE	EXPIRY DATE	RENEWAL OPTIONS	2018-19 VALUE	2017-18 VALUE	INUIT FIRM STATUS	NUNAVUT BUSINESS STATUS
Mississauga	GWL Reality	Warehouse Lease	SS	2017-01-08	2022-07-31	nil	\$89,381	\$84,230	-	-
Rankin Inlet	Xerox Canada	Copier Lease	SS	2012-03-14	2017-03-15	nil	-	\$425	-	-
Total							\$89,381	\$84,655		

PRFP Public Request for Proposal
SOA Standing Offer Agreement
SS Sole Source

CONSOLIDATED **FINANCIAL STATEMENTS**
OF NUNAVUT DEVELOPMENT CORPORATION
FOR THE YEAR ENDED **MARCH 31, 2019**



NDC CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Management Responsibility for Consolidated Financial Statements	17
Independent Auditor's Report	18 - 21
Consolidated Statement of Financial Position	22
Consolidated Statement of Operations and Accumulated Surplus	23
Consolidated Statement of Change in Net Financial Assets	24
Consolidated Statement of Cash Flow	25
Notes to the Consolidated Financial Statements	26 - 38
Schedule A – Consolidated Schedule of Tangible Capital Assets	39
Schedule B – Consolidated Schedule of Sales	40
Schedule C – Consolidated Schedule of Cost of goods sold	41
Schedule D – Consolidated Schedule of Selling and administration expenses	42

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Nunavut Development Corporation, for the year ended March 31, 2019, and all information contained in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The consolidated financial statements include some amounts, such as the allowance for doubtful accounts receivable, employee future benefits and the valuation of inventories, which are based on management's best estimates and judgment.

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

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

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

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and consolidated financial statements of the Corporation and for issuing its report thereon.



Darrin Nichol
President & CEO



Balaji Ramamani, CF, CRMA, CMA (US)
Chief Financial Officer

Rankin Inlet, Canada
23 July, 2019



INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Nunavut Development Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Nunavut Development Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net financial assets and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and the consolidated results of its operations, consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit

or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of the Nunavut Development Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Nunavut Development Corporation Act* and regulations, and the by-laws of the Nunavut Development Corporation.

In our opinion, the transactions of the Nunavut Development Corporation that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act* of Nunavut, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year. In addition, in our opinion, proper books of account have been kept by the Nunavut Development Corporation and the consolidated financial statements are in agreement therewith.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Nunavut Development Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Nunavut Development Corporation to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

A handwritten signature in black ink, appearing to read "Michael Robichaud". The signature is fluid and cursive, with the first name "Michael" and last name "Robichaud" clearly distinguishable.

Michael B. Robichaud, CPA, CA
Principal
for the Interim Auditor General of Canada

Ottawa, Canada
23 July 2019

Nunavut Development Corporation
Consolidated Statement of Financial Position
As at March 31

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 6,766,856	\$ 5,679,227
Accounts receivable (Note 4)	885,567	808,620
Inventories for resale (Note 5(a))	2,642,511	2,548,845
Portfolio investments (Note 6)	1,576,500	1,651,500
Total Financial Assets	\$ 11,871,434	\$ 10,688,192
Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 634,666	\$ 567,800
Employee future benefit liabilities (Note 8)	229,672	197,760
Total Liabilities	\$ 864,338	\$ 765,560
Net Financial Assets	\$ 11,007,096	\$ 9,922,632
Non-Financial Assets		
Tangible capital assets (TCA - Schedule A)	\$ 986,067	\$ 1,033,815
Inventories for use (Note 5(b))	952,870	1,082,534
Prepaid expenses	27,005	23,427
Total Non-Financial Assets	\$ 1,965,942	\$ 2,139,776
Accumulated Surplus	\$ 12,973,038	\$ 12,062,408

Contractual obligations (Note 11)
Contractual rights (Note 12)

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

Approved on behalf of the Board



Donald Haviyok
Chairperson of the Board of Directors

Nunavut Development Corporation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31

	2019 Budget	2019 Actual	2018 Actual
Revenues			
Sales (Schedule B)	\$ 3,156,800	\$ 3,728,916	\$ 3,379,181
Interest and other income	220,000	344,565	279,630
Preference dividend on venture investment	102,090	103,663	93,086
Total revenues	\$ 3,478,890	\$ 4,177,144	\$ 3,751,897
Expenses			
Cost of goods sold (COGS - Schedule C)	\$ 3,005,950	\$ 3,634,303	\$ 3,172,465
Selling and administration (SG&A - Schedule D)	3,189,090	3,228,714	2,932,605
Total expenses	\$ 6,195,040	\$ 6,863,017	\$ 6,105,070
 Deficit before Government contributions	 (2,716,150)	 (2,685,873)	 (2,353,173)
 Government contributions (Note 9)	 \$ 3,516,000	 \$ 3,596,503	 \$ 3,527,747
Surplus for the year	799,850	910,630	1,174,574
 Accumulated surplus, beginning of the year	 12,062,408	 12,062,408	 10,887,834
 Accumulated surplus, end of the year	 \$ 12,862,258	 \$ 12,973,038	 \$ 12,062,408

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

Nunavut Development Corporation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31

	2019 Budget	2019 Actual	2018 Actual
Surplus for the year	\$ 799,850	\$ 910,630	\$ 1,174,574
Tangible capital assets (Schedule A)			
Additions	\$ (234,000)	\$ (109,326)	\$ (131,939)
Amortization	116,500	157,074	163,709
Disposals	-	-	2,000
	\$ (117,500)	\$ 47,748	\$ 33,770
Additions of inventories for use	\$ -	\$ (406,358)	\$ (454,502)
Consumption of inventories for use	-	536,022	239,157
Change due to prepaid expenses	-	(3,578)	(300)
	\$ -	\$ 126,086	\$ (215,645)
Change in net financial assets for the year	\$ 682,350	\$ 1,084,464	\$ 992,699
Net financial assets, beginning of the year	9,922,632	9,922,632	8,929,933
Net financial assets, end of the year	\$ 10,604,982	\$ 11,007,096	\$ 9,922,632

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

Nunavut Development Corporation
Consolidated Statement of Cash Flow
For the year ended March 31

	2019	2018
Cash provided by (used for) operating activities		
Received from customers	\$ 3,615,950	\$ 3,270,700
Received through contributions from the Government of Nunavut	3,566,365	3,655,521
Received through other Contributions	82,853	53,644
Dividends received	102,090	87,462
Interest received	98,642	61,170
Paid to suppliers	(2,774,075)	(2,980,392)
Paid to employees	(2,474,244)	(2,341,175)
Other operations and project payments	(1,095,626)	(1,142,244)
Cash provided by operating activities	1,121,955	664,686
Cash provided by (used for) investing activities		
Redemption of venture equity investment	75,000	-
Venture equity investment	-	(311,500)
Cash provided by (used for) investing activities	75,000	(311,500)
Cash provided by (used for) capital activities		
Tangible capital asset acquisitions	(109,326)	(131,939)
Tangible capital asset disposals	-	5,000
Cash used for capital activities	(109,326)	(126,939)
Increase in cash and cash equivalents	1,087,629	226,247
Cash and cash equivalents - beginning of the year	5,679,227	5,452,980
Cash and cash equivalents - end of the year	\$ 6,766,856	\$ 5,679,227

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

Nunavut Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2019

1 Authority and operations

a) Authority

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

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

b) Operations

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

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

In accordance with Sections 21, 22, 23 and 24 of the Act, the Corporation has also developed guidelines for investments and divestments from the Subsidy Fund, Capital Fund and Venture Investment Fund and for the amalgamation and wind-up of subsidiary investments. The current Investment Policies and Guidelines and the Guidelines for the Sale of Shares or Other Interests were approved by the Board of Directors on June 24th, 2010. As per section 22 of the Act, the Guidelines for the Sale of Shares or Other Interests were approved by the Government's Financial Management Board on November 25th, 2010.

c) Government contributions

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

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

1 Authority and operations (cont'd)

d) Budget

Consolidated budget figures have been provided for comparison purposes and have been derived from the main estimates approved by the Government of Nunavut and the Board of Directors.

2 Significant accounting policies

a) Basis of accounting

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board of Canada.

b) Principles of consolidation

The consolidated financial statements include the financial assets, liabilities, non-financial assets, revenue, and expenses of the parent company, Nunavut Development Corporation, and its subsidiaries. The Corporation controls each of the eight subsidiaries listed below through a combination of ownership interests and other pertinent indicators. The financial assets, liabilities, non-financial assets, revenue and expenses of each of the eight subsidiaries are fully consolidated on a line-by-line basis. All intercompany transactions and balances are eliminated.

The following chart lists the subsidiary investments comprising the consolidated corporate reporting entity by segment:

Subsidiary Investment	Location	Ownership %	Date Incorporated
Meat & Fish			
Kivalliq Arctic Foods Ltd.	Rankin Inlet	100%	October 2, 1992
Kitikmeot Foods Ltd.	Cambridge Bay	98%	April 9, 1992
Papiruaq Fisheries Ltd.	Whale Cove	51%	February 1, 1993
Arts & Crafts			
Ivalu Ltd.	Rankin Inlet	100%	October 2, 1992
Jessie Oonark Ltd.	Baker Lake	100%	September 25, 1991
Kiluk Ltd.	Arviat	100%	April 3, 1996
Taluq Designs Ltd.	Taloyoak	51%	April 12, 1995
Uqqurmiut Arts & Crafts (1993) Ltd.	Pangnirtung	51%	March 1, 1994

2 Significant accounting policies (cont'd)

b) Principles of consolidation (cont'd)

The non-controlling interests in Papiruaq Fisheries Ltd., Taluq Designs Ltd., and Uqqurmiut Arts & Crafts (1993) Ltd., have been reduced to nil by the losses on operations applicable to the non-controlling interests. The applicable losses on operations are limited to the non-controlling interests' share in the capital of the subsidiaries. The excess and any further losses otherwise applicable to the non-controlling interests are allocated only to the parent's interest. Subsequent earnings will be allocated entirely to the parent's interest until previously absorbed losses relating to the non-controlling interests are recovered. The total accumulated losses on operations for the non-controlling interests of the above-noted subsidiaries as at March 31, 2019 are \$698,924 (March 31, 2018 - \$715,066).

c) Use of estimates and measurement uncertainty

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

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

d) Cash and cash equivalents

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

e) Accounts receivable

Accounts receivable are valued at the lower of cost or net recoverable value. Accounts receivable that are known to be uncollectible are written-off when identified. Valuation allowances, if necessary, are recorded when there is no realistic prospect of recovery based on all circumstances known at the date of these consolidated financial statements, including past events and current conditions.

f) Inventories

Inventories for resale include arts & crafts finished goods and meat & fish, valued at the lower of cost and estimated net realizable value, with cost being determined on a weighted average basis. The cost for one-of-a-kind items (such as carvings) has been assigned based on their actual input costs including labour, raw materials and overhead.

Inventories for use includes arts & crafts and meat & fish raw materials and work-in-process as well as packaging materials and supplies valued at the lower of cost and net realizable value, with the cost being determined on a weighted average basis.

2 Significant accounting policies (cont'd)

g) Portfolio investments

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

h) Tangible capital assets

Tangible capital assets are non-financial assets whose useful life exceeds one fiscal year and are intended to be used on an ongoing basis for delivering the Corporation's services. Tangible capital assets are recorded at cost, unless contributed, in which case they are recorded at fair value, or a nominal amount if fair value is not determinable.

Tangible capital assets include Buildings, Leasehold improvements, Equipment, Automotive equipment, Office furniture and equipment and Computer equipment carried at cost less accumulated amortization. When placed into service, they are amortized on a straight-line basis over their estimated useful life, with the exception of leasehold improvements, which are amortized over the lesser of their useful life or the lease term.

The following amortization rates are used:

Asset Category	Amortization Period
Buildings	10 - 20 years
Leasehold improvements	5 - 10 years
Equipment	5 years
Automotive equipment	5 years
Office furniture and equipment	5 - 10 years
Computer equipment	1 - 3 years

Tangible capital assets under construction or development are recorded as work in progress and are not amortized until the time the asset is placed into service. The cost of licenses is charged to expense in the year they are acquired.

When conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than the net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

i) Employee future benefit liabilities

Severance and removal costs

Employees of the Corporation are not employees of the public service as defined in the Public Service Act.

Under the terms and conditions of employment, some employees are entitled to severance benefits based on years of service. These benefits are paid upon resignation, retirement or death of the employee. The estimated liability and related expenses for these benefits are recorded as employees earn them and are based on management's assumptions and best estimates.

Termination benefits are recorded when the Corporation can no longer withdraw its termination offer.

The Corporation provides to its employees financial assistance in moving themselves, their dependents and their household effects when they resign and retire and certifies their intent of moving from their community of employment back to their initial point of appointment. The expected cost is recognized in the period when the employee is removed from its community of employment when they resign or retire.

2 Significant accounting policies (cont'd)

i) Employee future benefit liabilities (cont'd)

Registered retirement savings plan contributions

The Corporation makes contributions on behalf of its employees to registered retirement savings plans up to established limits. There is no obligation for employees to make contributions. These contributions represent the total obligation of the Corporation and are recognized in the Consolidated Statement of Operations and Accumulated Surplus as selling and administration expense, and included as a part salaries and benefits in Schedule D.

j) Government contributions

Government transfers are recognized as revenue when the funding is authorized and any eligibility criteria are met except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability, in which case they would be recognized as deferred revenue.

k) Revenues

Revenues are recognized and reported on an accrual basis in the period in which the transactions or events that give rise to the revenues have occurred, the amount of the transaction can be reliably measured, and collection is reasonably assured.

l) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, and accounts payable and accrued liabilities.

Financial instruments are identified by financial asset and financial liability classifications. The following is a list of the Corporation's financial instrument measurement bases as at March 31, 2019:

Financial Assets	Measurement Basis
Cash and cash equivalents	Cost
Accounts receivable	Cost
Portfolio investments	Cost
Financial Liabilities	Measurement Basis
Accounts payable and accrued liabilities	Cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Surplus. An impairment that has been written-down or written-off is not reversed following a subsequent increase in value.

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Transaction costs are added to the carrying value of items in the cost or amortized cost category when they are initially recognized.

2 Significant accounting policies (cont'd)

m) Related party transactions

Inter-entity transactions

The Corporation is related in terms of common ownership, to all Government of Nunavut created departments and Territorial corporations. The Corporation enters into transactions with these entities in the normal course of business, at normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The corporation receives insurance coverage at no cost from the Government of Nunavut and it is not recognized in these consolidated financial statements due to its insignificant amount.

Other related party transactions

Other related parties are key management personnel (President, CFO, Board of Directors, etc.), close family members of key management personnel, and entities that are controlled or significantly influenced by key management personnel or their close family members.

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount. These transactions with these related parties are in the normal course of business and are completed under normal trade terms.

n) Segmented information

NDC has two operating segments, Meat & Fish and Arts & Crafts. These segments consist of the subsidiaries whose primary operations relate most significantly to the category they have been placed in. For segmented disclosure reporting purposes, summary information has been provided in Schedules B, C and D using the categorization of subsidiaries in Note 2(b).

o) Change in accounting standards

The Public Sector Accounting Board (PSAB) issued new accounting standards effective for fiscal years beginning on or after 1 April 2018.

As a result, the Corporation adopted the new accounting standards Restructuring Transactions (PS 3430) on a prospective basis. This new Section establishes standards on how to account for and report restructuring transactions in 2018-19.

The adoption of these new standards did not result in any financial impact on the Corporation's 2018-19 consolidated financial statements.

3 Cash and cash equivalents

	Mar 31, 2019	Mar 31, 2018
Cash held by:		
Parent company	\$5,531,115	\$4,882,534
Subsidiaries	1,135,741	696,693
Short-term deposits	<u>100,000</u>	<u>100,000</u>
	<u>\$6,766,856</u>	<u>\$5,679,227</u>

The cash held by the parent company is pooled with the Government's surplus cash. The cash can be withdrawn at any time and is not restricted by the maturity dates of investments made by the Government. Cash from the parent company's operating and fund bank accounts accumulates interest at rates ranging from 1.25% to 1.75% (2018 - 0.5% to 1%) per annum on the daily average of the daily closing credit balances. Net investment income of \$101,977 (2018 - \$64,260) is included in interest and other income.

As at March 31, 2019, Kivalliq Arctic Foods Ltd has a short-term deposit consisting of fixed rate non-redeemable Guaranteed Investment Certificates (GICs) at the RBC Royal bank, of \$100,000 (2018 - \$100,000) bearing 0.20% (2018 - 0.20%) interest rate per annum and maturing in July 2020.

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

	Mar 31, 2019	Mar 31, 2018
Capital fund	\$1,154,141	\$1,037,640
Capital reserve fund	498,685	488,366
Subsidy fund	189,000	189,000
Venture investment fund	2,354,817	1,900,227
Venture reserve fund	<u>146,150</u>	<u>153,650</u>
Total fund balances	<u>\$4,342,793</u>	<u>\$3,768,883</u>

4 Accounts receivable

	Mar 31, 2019	Mar 31, 2018
Related parties		
Government of Nunavut Departments	\$102,781	\$38,123
Non-controlling interests	<u>9,501</u>	<u>23,352</u>
	\$112,282	\$61,475
Third parties	<u>989,736</u>	<u>860,473</u>
Total Accounts Receivable	\$1,102,018	\$921,948
Less: Valuation Allowance (Note 10)	<u>(216,451)</u>	<u>(113,328)</u>
Net accounts receivable	<u>\$885,567</u>	<u>\$808,620</u>

During the year, \$191,092 (2018 - \$104,043) of the valuation allowance relates to accounts receivable with third parties. During the year, \$7,275 (2018 - \$1,639) was written-off, requiring disclosure per the Financial Administration Act of Nunavut.

5 Inventories

a) For resale

	Mar 31, 2019	Mar 31, 2018
Arts & Crafts	\$2,560,972	\$2,411,886
Meat & Fish	<u>81,539</u>	<u>136,959</u>
Total inventories for resale	<u>\$2,642,511</u>	<u>\$2,548,845</u>

During the year, inventories of \$19,562 (2018 - \$8,353) were written-off or marked-down, requiring disclosure per the Financial Administration Act of Nunavut.

b) For use

	Mar 31, 2019	Mar 31, 2018
Raw materials and work-in-process		
Arts & Crafts	\$83,880	\$150,126
Meat & Fish	<u>770,815</u>	<u>801,959</u>
	<u>\$854,695</u>	<u>\$952,085</u>
Packaging supplies		
Arts & Crafts	\$17,800	\$29,662
Meat & Fish	<u>80,375</u>	<u>100,787</u>
	<u>\$98,175</u>	<u>\$130,449</u>
Total inventories for use	<u>\$952,870</u>	<u>\$1,082,534</u>

6 Portfolio investments

	Mar 31, 2019	Mar 31, 2018
Preferred Shares Investment in -		
· Tukumaaq Suites Inc.	\$400,000	\$475,000
· Sudliq Developments Ltd.	375,000	375,000
· Arctic UAV Inc.	300,000	300,000
· Arctic Fisheries Alliance Limited Partnership.	250,000	250,000
· NunaVet Animal Hospital Inc.	126,000	126,000
· CHOU Consulting and Development Inc.	125,000	125,000
	<hr/>	<hr/>
	<u>\$1,576,500</u>	<u>\$1,651,500</u>

6 Portfolio investments (cont'd)

Tukumaaq Suites Inc. (TSI)

In March 2019, TSI (Clyde River) bought back (redeemed) \$75,000 of their preferred shares, out of \$475,000 preferred shares held by the Corporation. The Corporation is a registered holder of remaining 400 Class A non-voting preferred shares in TSI. The rights of these shares are governed by a Unanimous Shareholders Agreement and a Share Subscription Agreement between TSI, Ilisagvik Society and the Corporation. The Corporation is entitled to receive a fixed cumulative preferential distribution of 6.5% per annum, which shall accrue daily, compound annually and be payable in arrears by TSI to the Corporation annually. The shares are redeemable in March 2024.

Sudliq Developments Ltd. (SDL)

The Corporation is also a registered holder of 375,000 Class E first preference shares in SDL. The rights of these shares are governed by a Unanimous Shareholders Agreement and a Share Subscription Agreement between SDL, Louie Bruce, and the Corporation. The Corporation is entitled to receive a fixed, annual, cumulative preferential distribution of 6.0% per annum. The shares are redeemable in March 2020.

Arctic UAV Inc. (UAV)

The Corporation is also a registered holder of 300,000 Class A non-voting preferred shares in UAV. The rights of these shares are governed by a Unanimous Shareholders Agreement and a Share Subscription Agreement between UAV, Kirt Ejesiak, owner and the Corporation. The Corporation is entitled to receive a fixed cumulative preferential distribution of 6.0% per annum, which shall accrue daily, compound annually and be payable in arrears by UAV to the Corporation annually. The shares are redeemable in March 2022.

Arctic Fishery Alliance Limited Partnership (AFL)

The Corporation is a registered holder of 250 Class D Preferred Limited Partnership Units in AFL. The rights of a holder of these Units are governed by a Partnership Agreement between Masiliit Corporation as general partner and the limited partners. The Corporation is entitled to receive a fixed cumulative preferential distribution of 6.25% per annum, which shall accrue daily, compound annually and be payable in arrears by the Partnership to the Corporation on the last business day of each month. The shares are redeemable in March 2020.

NunaVet Animal Hospital Inc. (NAHI)

The Corporation is also a registered holder of 126,500 Class A first preference shares in NAHI. The rights of these shares are governed by a Unanimous Shareholders Agreement and a Share Subscription Agreement between NAHI, Atugtuarvik Corporation, Leia Cunningham, and the Corporation. The Corporation is entitled to receive a fixed, annual, cumulative preferential distribution of 6.0% per annum. 115,000 shares are redeemable in March 2021, and 11,500 shares are redeemable in March 2022.

CHOU Consulting and Development Inc. (CHOU)

The Corporation is also a registered holder of 125,000 Class A first preference shares in CHOU. The rights of these shares are governed by a Unanimous Shareholders Agreement and a Share Subscription Agreement between CHOU, Amanda Doiron and Stuart Rostant, and the Corporation. The Corporation is entitled to receive a fixed, annual, cumulative preferential distribution of 6.0% per annum. The shares are redeemable in March 2022.

7 Accounts payable and accrued liabilities

Mar 31, 2019

Mar 31, 2018

Related parties - Government of Nunavut

Territorial corporations	\$64,048	\$29,260
Petroleum Products Division	62,355	57,551
Departments	16,699	53,810

Related parties - Non-controlling interests

	<u>25,781</u>	<u>25,917</u>
	168,883	166,538

Accounts payable and accrued liabilities to third parties

	270,946	248,010
--	---------	---------

Vacation pay and lieu time

	<u>194,837</u>	<u>153,252</u>
--	----------------	----------------

Total accounts payable and accrued liabilities

	<u>\$634,666</u>	<u>\$567,800</u>
--	-------------------------	-------------------------

All amounts above are non-interest bearing and have normal payment terms.

8 Employee future benefit liabilities

The Corporation provides severance benefits to its eligible employees. Under the terms and conditions of employment, most employees with more than one year of continuous service and have reached the age of 55 are eligible to earn severance based on years of service and salary upon resignation, retirement or death. The maximum employees' entitlements are between 30 to 72 weeks of salary depending on the eligible employee. These benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefits obligation. The liability for these benefits is as follows:

	2019	2018
Employee future benefit liabilities, beginning of year	\$197,760	\$183,527
Cost for the year	<u>31,912</u>	<u>14,223</u>
Employee future benefits, end of year	<u>\$229,672</u>	<u>\$197,760</u>

9 Government contributions

2019

2018

Subsidy payments from Government of Nunavut

Operating purposes	\$2,858,000	\$2,858,000
Capital purposes	230,000	190,000
Venture equity	<u>270,000</u>	<u>270,000</u>
	<u>\$3,358,000</u>	<u>\$3,358,000</u>

Other contributions from Government of Nunavut

Other direct contributions to subsidiaries	<u>238,503</u>	<u>169,747</u>
	<u>\$3,596,503</u>	<u>\$3,527,747</u>

10 Financial instruments

Risk Management

Management of the Corporation defines the components of risk, develops frameworks and processes on how to identify measure and manage risk and does Risk Management Reporting to the Board of Directors annually for its approval. A Risk Management Process which includes understanding, identifying, assessing and mitigating risks, monitoring control and communicating results, has been established and is reviewed every year.

There have been no changes to the level of risks compared to the prior year and no changes in the risk management practices used to manage risks.

The Corporation is exposed to the following risks as a result of holding financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet their obligations. The Corporation is exposed to credit risk through cash and cash equivalent deposits with financial institutions and the sale of goods to customers resulting in accounts receivable, and investments made in business enterprises through equity purchases.

For cash and cash equivalents in interest-bearing accounts, the maximum exposure to credit risk is the carrying amount on the Consolidated Statement of Financial Position. The risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with well-capitalized financial institutions. As at March 31, 2019, there were no known relevant concentrations of credit risk by type of deposit or institution.

For accounts receivable, the maximum exposure to credit risk is the carrying amount on the Consolidated Statement of Financial Position. The risk exposure relating to accounts receivable is directly impacted by the clients' ability to meet their obligations. Among other factors, this ability is impacted by the clients' exposure to fluctuations in the economy of Nunavut. To mitigate this risk, the Corporation does regular follow-up on their accounts receivable.

At March 31, 2019, the accounts receivable are aged as follows:

	Mar 31, 2019	Mar 31, 2018
Current	\$154,092	\$202,146
31-60 days old	39,185	64,004
61-90 days old	35,282	23,764
Over 90 days old	<u>657,008</u>	<u>518,706</u>
Total accounts receivable	<u>\$885,567</u>	<u>\$808,620</u>

With respect to accounts receivable past due but not impaired, based on credit history and credit ratings, there are no indications that customers will not be able to meet their obligations. As at March 31, 2019, there were no known relevant concentrations of credit risk by type of customer or geography. Instead, the credit risk exposure is mainly influenced by individual customer characteristics.

The Corporation utilizes an allowance account for potential credit losses related to accounts receivable. The movement in the allowance account during the year was as follows:

	Mar 31, 2019	Mar 31, 2018
Balance, beginning of year	\$113,328	\$105,984
Additional allowance made during the year	110,398	8,983
Write-offs during the year	<u>(7,275)</u>	<u>(1,639)</u>
Balance, end of year	<u>\$216,451</u>	<u>\$113,328</u>

10 Financial instruments (cont'd)

Credit risk (cont'd)

For portfolio investments, the maximum exposure to credit risk is the carrying amount on the Consolidated Statement of Financial Position. The risk relating to portfolio investments is directly impacted by the investee's ability to meet their obligations. Among other factors, this ability is impacted by the investee's exposure to fluctuations in the economy of Nunavut and preferred share dividends not declared. As well, the Corporation implemented specific guidance to be followed before investing in a subsidiary. The Corporation also performs regular review of the investee's practices after the investment occurs and may sometimes divest, to further mitigate the likelihood of incurring any significant losses from the investments.

As at 31 March, the Corporation believes there is no significant credit risk related to its portfolio investments. At the end of 2019, there is no known relevant concentration of credit risk by business group.

Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Kivalliq Arctic Foods Ltd. has a loan demand operating line of credit of \$420,000, at the bank prime rate plus 1.25%. The line of credit is secured by a guarantee and postponement of claim signed by the parent company. There have been no draws as at March 31, 2019 (2018 - \$nil).

Kitikmeot Foods Ltd. has a loan demand facility of \$22,000 with interest rate to be determined at the time of drawdown. Further, there is a demand operating line of credit of \$200,000, at the bank prime rate plus 0.5%. The line of credit is secured by a guarantee and postponement of claim signed by the parent company. There have been no draws as at March 31, 2019 (2018 - \$nil).

The Corporation is exposed to interest rate risk on its bank operating loan because any change in interest rate will cause fluctuations in interest expense. The Corporation has not drawn upon the bank operating loan during the fiscal year, therefore mitigating any interest rate risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations as they fall due. The Corporation is exposed to liquidity risk on its financial liabilities (accounts payable and accrued liabilities). The Corporation manages its liquidity risk by continuously monitoring forecasted and actual cash flows to ensure it maintains sufficient liquid financial resources to finance operations. The Corporation's financial liabilities are expected to mature in less than one year.

The Corporation does not currently believe that it will encounter difficulty in meeting its future obligations associated with its financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows, government support and external sources including borrowing facilities to meet current spending forecasts.

11 Contractual obligations

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

2020	\$88,392
2021	89,424
2022	89,940
2023	29,980

\$297,736

"Kitikmeot Foods Ltd.", a subsidiary company of Nunavut Development Corporation, has a long-term land lease rental of meat plant, fish plant and staff house, with the Hamlet of Cambridge Bay. Future minimum payments by fiscal year are due as follows:

2020	\$2,496
2021	2,496
2022	2,496
2023	2,496
2024	<u>2,496</u>

\$12,480

Thereafter, annually	\$2,496
	=====

12 Contractual rights

The Corporation has right to receive a fixed cumulative preferential distribution from its portfolio investments. The contractual rights of the Corporation for future assets in respect of six venture investments are as follows:

2020	\$97,215
2021	55,590
2022	55,590
2023	26,000
2024	<u>26,000</u>

\$260,395

"Uqurmiut Arts & Craft Ltd.", ("UAC"), has entered into contracts for "Pangnirtung Post Office dealership" and "QINIQ 4G-Community Service Provider ("4G-CSP") in Pangnirtung".

The Post Office Dealership agreement is between UAC and Canada Post in relation to the operations of the Pangnirtung Postal Outlet. This agreement does not expire unless agreed upon by both parties. 4G-CSP agreement is between UAC and SSI Micro Ltd ("SSI"). UAC acts as an agent of SSI in Pangnirtung and contract revenues include a monthly retainer and various royalties on services.

An estimate of the contractual rights for future assets which arise to UAC, cannot be determined with certainty, as they are based on various factors such as monthly usage and service levels

13 Comparative figures

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

Nunavut Development Corporation

Consolidated Schedule of Tangible Capital Assets (TCA)

As at March 31

Schedule A

	Buildings	Equipment	Leasehold Improvements	Office Furniture and Equipment	Computer Equipment	Automotive Equipment	2019 Total	2018 Total
Cost of tangible capital assets								
Opening balance	\$7,447,384	\$2,112,679	\$656,564	\$421,034	\$178,525	\$219,843	\$11,036,029	\$11,087,803
Additions	34,582	28,491	16,850	21,614	7,789	-	109,326	131,939
Disposals/Writeoffs	-	-	-	-	-	-	-	(183,713)
Closing balance	7,481,966	2,141,170	673,414	442,648	186,314	219,843	11,145,355	11,036,029
Accumulated amortization								
Opening balance	(6,586,795)	(2,044,044)	(605,154)	(389,819)	(172,333)	(204,069)	(10,002,214)	(10,020,218)
Amortization allocated to COGS	(62,048)	(19,757)	(11,363)	-	(2,523)	-	(95,691)	(102,801)
Amortization allocated to SG&A	(26,582)	(2,176)	(10,566)	(7,794)	(4,642)	(9,623)	(61,383)	(60,907)
Disposals/Writeoffs	-	-	-	-	-	-	-	181,712
Closing balance	(6,675,425)	(2,065,977)	(627,083)	(397,613)	(179,498)	(213,692)	(10,159,288)	(10,002,214)
Net book value	\$806,541	\$75,193	\$46,331	\$45,035	\$6,816	\$6,151	\$986,067	\$1,033,815

Nunavut Development Corporation

Consolidated Schedule of Sales

For the year ended March 31

Schedule B

	Arts & Craft	Meat & Fish	2019 Actual	2018 Actual
Sales				
Arts & Craft items	\$2,215,240	\$ -	\$2,215,240	\$2,151,226
Meat & Fish food items	63,324	1,421,861	1,485,185	1,216,238
Management fee	-	25,327	25,327	4,218
Supplies	3,164	-	3,164	3,609
Muskox Leather	-	-	-	3,890
Total	\$2,281,728	\$1,447,188	\$3,728,916	\$3,379,181

Sales - By Category of Customers				
Government of Nunavut - Departments	30,392	61,222	91,614	97,359
Petroleum Products Division	646	-	646	-
District Education Authority	9,108	27,005	36,113	-
Nunavut Arctic College	4,363	2,963	7,326	-
Non-controlling interests	-	88,253	88,253	89,132
Third Parties	2,237,219	1,267,745	3,504,964	3,192,690
Total	\$2,281,728	\$1,447,188	\$3,728,916	\$3,379,181

Nunavut Development Corporation

Consolidated Schedule of Cost of Goods Sold (COGS)

For the year ended March 31

Schedule C

	Arts & Craft	Meat & Fish	2019 Actual	2018 Actual
Cost of goods sold				
Opening Inventory	\$2,591,672	\$1,039,707	\$3,631,379	\$3,038,809
Purchases				
Government of Nunavut - Departments	6,360	3,200	9,560	11,552
Third Parties	1,421,167	335,467	1,756,634	1,952,537
Direct Labour	397,736	358,793	756,529	775,993
Utilities				
Government of Nunavut - Territorial Corp.	48,352	286,803	335,155	299,446
Petroleum Products Division	54,111	70,753	124,864	101,646
Freight and packaging	88,101	285,832	373,933	355,699
Commission	103,965	-	103,965	131,378
Amortization on TCA	21,100	74,591	95,691	102,802
Food safety & Productivity	-	13,238	13,238	10,399
Inventory write-down/markdown	19,562	-	19,562	8,353
Product repair and development	9,175	-	9,175	15,230
Closing Inventory	(2,662,653)	(932,729)	(3,595,382)	(3,631,379)
Total	\$2,098,648	\$1,535,655	\$3,634,303	\$3,172,465

Certain comparative information has been reclassified to conform with current year presentation.

Nunavut Development Corporation

Consolidated Schedule of Selling and Administration Expenses (SG&A)

For the year ended March 31

Schedule D

Vehicle	Arts & Craft	Meat & Fish	2019 Actual	2018 Actual
Selling and administration expenses				
Salaries and benefits	\$1,506,969	\$246,854	\$1,753,823	\$1,628,218
Project expenses - Seamstress Training, OTJ Training				
Arts Promotion, Health Sector Research & Food Bank	178,737	42,087	220,824	130,262
Travel	147,460	19,629	167,089	200,096
Office supplies	115,414	16,299	131,713	136,040
Board expenses	124,338	-	124,338	121,306
Bad debts	48,153	62,245	110,398	8,983
Advertising and promotion	107,328	761	108,089	104,626
Professional fees	72,919	32,132	105,051	114,744
Repairs and maintenance	40,330	53,629	93,959	104,061
Rent	93,522	-	93,522	89,255
Bank charges and interest	51,489	20,795	72,284	62,341
Telephone	56,720	11,871	68,591	56,301
Amortization on TCA	33,048	28,335	61,383	60,907
Training	24,778	-	24,778	4,133
Utilities				
Petroleum Products Division	10,039	-	10,039	8,916
Govt. of Nunavut-Territorial Corp.	8,423	-	8,423	6,925
Translating	18,245	-	18,245	19,269
Insurance	14,363	-	14,363	13,428
Licenses and lease	2,657	7,429	10,086	17,581
Legal fees	10,431	-	10,431	1,856
Vehicle	-	9,724	9,724	19,293
Department of Fisheries and Oceans Sampling costs	-	7,000	7,000	5,900
Miscellaneous	2,507	-	2,507	1,233
Freight and postage	2,054	-	2,054	7,430
Total	\$2,669,924	\$558,790	\$3,228,714	\$2,932,605

