

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





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**Dear Minister Sheutiapik,**

I am pleased to present the Nunavut Development Corporation's 2017-18 Annual Report.

NDC's mandate is a broad one, emphasizing the use of equity financing to help advance essential elements of economic development throughout Nunavut. This ranges from the deployment of investment capital, the promotion of economic diversification and the growing of local business. The result, is the creation of jobs and increased income potential across all our communities.

Through investments in subsidiary companies, business enterprises or other economic project partnerships, much of what we do is connected to the important economic and social priorities outlined in Turaagtavut. In particular, Pivaallirutivut, the importance of diversifying and improving economic opportunities and encouraging community self-reliance is strongly emphasized. Provision of local employment through traditional industries, small businesses, mining and fisheries align closely with our corporate objectives.

NDC purchases art, sewn goods, jewellery and craft items from hundreds of artists and producers across Nunavut. To increase and take advantage of unique sales opportunities, we can set up full-service retail operations almost anywhere in Nunavut. Whether at a remote mine site to sell art to workers, or on a community waterfront to sell to visiting cruise ship tourists, full-service retail support is provided to sell Nunavut products. Increasing art sales ads important income earning opportunities for local artists. Last year, NDC sold more than \$2 million of arts and crafts items through its various marketing and sales channels.

Innovation is essential; I believe that Nunavut needs more innovation if our economy is to grow and diversify.

Our venture investment fund is in large part designed to support Nunavut entrepreneurs and innovators who risk their own investment capital to start and grow a business in Nunavut. Last year, NDC invested \$300,000 from the fund in two Nunavut based business enterprises. Along with providing an important injection of working capital for Nunavut business, NDC equity financing is often used by businesses to lever additional debt financing. This in turn helps support growth and expansion of the business.

Our commercial harvesting and fisheries involvement has remained active and vibrant through 2017-18. Kitikmeot Foods Ltd (KFL) landed 90,000 lbs of Arctic char during its summer season. Kivalliq Arctic Foods Ltd (KAF), working closely with its seasonal partner plants at Papiuruq (Whale Cove) and Ikalukpiik (Chesterfield Inlet), landed 30,000 lbs of Arctic char. KAF also purchased winter fish from Gjoa Haven and Qikiqtarjuaq.

The winter commercial caribou harvest at Kivalliq Arctic Foods took place in January and again proved successful with just over 500 animals harvested. Much of what was harvested and processed at the plants remained in Nunavut. I stress the need to focus on Nunavummiut for the distribution of country food processed at our plants. As well as households, many Nunavut agencies, institutions and retailers source from both KAF and KFL.

On the export side, it is important to note KFL's strong partnership with San Francisco-based Clean Fish, who purchased 30,000 lbs of fresh Arctic char from KFL last year. Clean Fish is a world leader in support of artisanal eco-minded fisheries. Imagine, a truly wild Arctic char harvested from the pristine Surrey River on Victoria Island arriving fresh -not frozen- to a restaurant in Southern California within 24 hours of harvest. This partnership is an important one for KFL and one that I am quite proud of.

Last year, as part of our ongoing commitment to provide an effective level of oversight and governance for the corporation, all our board members attended a full day board governance workshop. The full NDC board met twice face-to-face and once via teleconference. The Executive Committees of the board met more often via teleconference, primarily undertaking audit committee functions and meeting with our auditors.

In addition, I would like to acknowledge the passing of Mr. Louie Kamookak, who diligently served on the NDC board for many years and led the organization as its chairperson from 2002 to 2011. It was my great pleasure to have worked with him on this board for much of that time. We also thank Louie's family for supporting Louie during his service and tenure with us on the NDC board.

I also wish to recognize outgoing board members, Ms. Elizabeth Kingston and Mr. John Main for their contributions, thank you for your public service.

Lastly, I want to acknowledge all the Nunavummiut who work in one way or another to support NDC operations and economic development across Nunavut. Your efforts are both recognized and appreciated.

Sincerely

Donald Havioyak  
Chairperson



# Board of Directors

The Minister responsible for the Nunavut Development Corporation is the Honourable Elisapee Sheutiapik. 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 2017-18; twice face to face and once by teleconference.



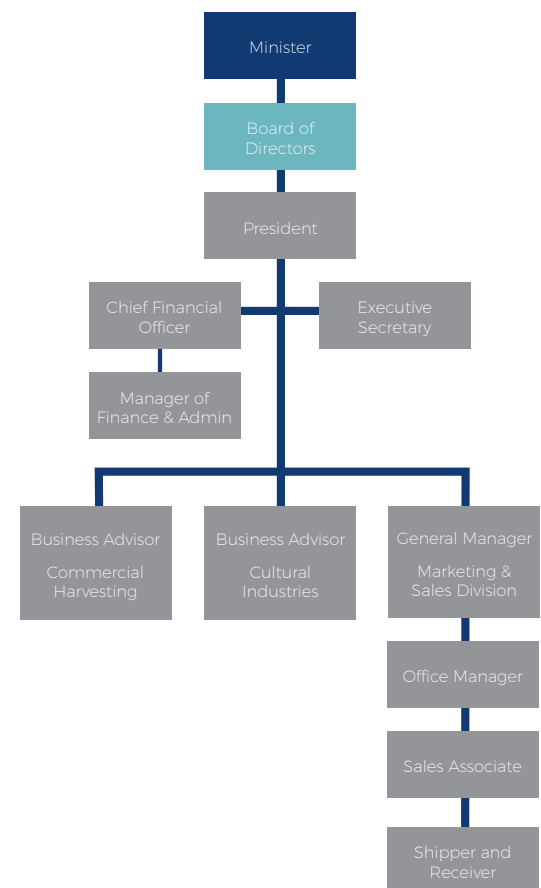
Section 20 of the Act establishes three subcommittees as follows:

- Investment Committee
- Audit Committee
- Personnel Committee

The NDC Board has elected to establish a single Executive Committee consisting of Chairperson Donald Haviyok, Vice-Chairperson Zacharias Kunuk and Secretary Sakiasie Sowdlooapik 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 2017-18 NDC Board of Directors is as follows:

	Position	Community	Expires
Donald Haviyok	Chairperson	Kugluktuk	March 08, 2021
Zacharius Kunuk	Director	Igloolik	March 08, 2021
Sakiasie Sowdlooapik	Director	Pangnirtung	March 08, 2021
Kolola Pitsiulak	Director	Kimmirut	March 08, 2021
Remi Krikort	Director	Kugarruk	Nov 30, 2019
Helen Kaloon	Director	Gjoa Haven	Nov 30, 2019
Dudley Maseko	Director	Iqaluit	March 08, 2021
Jonas Arreak	Director	Pond Inlet	March 08, 2021
Elizabeth Kingston	Director	Iqaluit	Expired on March 08, 2018
John Main	Director	Arviat	Resigned on November 05, 2017



# 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

**President**  
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

**Executive Secretary**  
Vacant

Annual Summary	2018	2017
Total Revenues	\$1.65 million	\$1.84 million
Total Expenses	\$1.47 million	\$1.60 million
Annual Surplus	\$180,000	\$240,000
Jobs Created or Maintained	5.00	5.50
Core Funding - Operations*	\$1.45 million	\$1.32 million
Core Funding - Capital*	\$39,800	\$6,800

\* Core Funding is included in revenues



## Iqalukpik Fish Plant

The Iqalukpik Fish Plant's second year of accessing the summer fishery was a success. The amount of product increased by 33% from the previous year, resulting in a corresponding increase in the economic spinoff benefit to the community. Over 40 residents were directly engaged in the harvesting, sale and production of the fishery. The increased production at the plant resulted in extra employment.

For a smaller community like Chesterfield Inlet, the summer fishery is becoming a major contributor to the local economy. The local Economic Development Officer, David Kattegatsiak observed, "the Iqalukpik Fish Plant is not only generating income and employment for the local fishers but it is also helping the plant hire more part-time employees."

This project is a partnership between Kivalliq Arctic Foods and the Hamlet of Chesterfield Inlet, it is now entering its third year of operation. The growing success of the plant and the local fishery bodes well for the continued economic growth in the community.

# Job Creation

The following Nunavut jobs were created or maintained during the 2017-18 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 2018	Total Jobs 2017
<b>Subsidiaries</b>					
Kivalliq Arctic Foods Ltd.	8.87	4.82	-	13.69	14.13
Kitikmeot Foods Ltd.	6.24	3.16	-	9.40	10.41
Ivalu Ltd.	1.50	5.78	-	7.28	7.04
Jessie Oonark Ltd.	4.90	0.17	-	5.07	5.06
Kiluk Ltd.	3.79	0.84	-	4.63	4.66
Taluq Designs Ltd.	1.22	1.58	-	2.80	2.53
Uqqurmiut Arts & Crafts Ltd.	9.42	5.91	-	15.33	14.17
<b>Venture Investments</b>					
Arctic Fishery Alliance Ltd.	-	-	21.32	21.32	21.31
Sudliq Developments Ltd.	-	-	18.16	18.16	11.04
Tukumaaq Suites Inc.	-	-	4.20	4.20	3.85
Nunavet Animal Hospital Inc.	-	-	4.55	4.55	4.66
CHOU Consulting & Dev Inc.	-	-	-	-	1.05
<b>Projects</b>					
WAG @ Forks	-	-	6.13	6.13	3.65
Nunavut Qiviut Inc	-	-	0.10	0.10	0.14
Ikalukpik Fish Plant	-	-	0.81	0.81	0.55
<b>Sub-total</b>	<b>35.94</b>	<b>22.26</b>	<b>55.27</b>	<b>113.47</b>	<b>104.25</b>
Nunavut Development Corporation	5.00	21.84	-	26.84	21.50
<b>Total</b>	<b>40.94</b>	<b>44.10</b>	<b>55.27</b>	<b>140.31</b>	<b>125.75</b>



# 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

<b>Arctic Fisheries Alliance LP.</b> Qikiqtarjuaq, Nunavut <i>Non-Voting, Preferred Share Interest</i>	\$250,000
<b>Sudliq Developments Ltd.</b> Coral Harbour, Nunavut <i>Non-Voting, Preferred Share Interest</i>	\$375,000
<b>Tukumaaq Suites Inc.</b> Clyde River, Nunavut <i>Non-Voting, Preferred Share Interest</i>	\$475,000
<b>NunaVet Animal Hospital Inc.</b> Iqaluit, Nunavut <i>Non-Voting, Preferred Share Interest</i>	\$126,500
<b>CHOU Consulting and Development Inc.</b> Cambridge Bay, Nunavut <i>Non-Voting, Preferred Share Interest</i>	\$125,000
<b>Arctic UAV Inc.</b> Iqaluit, Nunavut <i>Non-Voting Preferred Shares Interest</i>	\$300,000

## Nunavut Qiviut

The Nunavut Development Corporation is excited to be part of the Nunavut Qiviut project and company. Based in Kugluktuk, the company is accessing locally sourced qiviut fibre used to produce premier yarns for the fashion and retail market.

Qiviut is an Inuktitut word for the natural fibre or under-wool of the muskox. Qiviut is in high demand and world renowned for its softness and warmth. Nunavut Qiviut started as a catalyst to promote food security, support traditional lifestyles, create art, and help sustain local Nunavut-based economic activity. Located next to one of the largest herds of muskox in the world, this sustainable, renewable resource company is well positioned for continued growth.

Using local labour and purchasing raw muskox hides from local hunters, the company does as much extraction and local value-add of qiviut fibre as possible. This helps keep the economic benefit in the community and territory. The use of southern services only occurs when necessary.

The qiviut fibre is spun into a variety of exquisite yarns and is sold and marketed to retail stores and galleries nationally and internationally. The company is advancing the territorial qiviut industry and has begun to innovate and develop new products. These include Nunavut natural fibre yarns derived from Arctic fox and Arctic hare, as well as designing luxury hand-knit accessories.

The Nunavut Development Corporation supports this project by supplying Nunavut Qiviut with raw muskox hides from its processing plants. Many of the quality qiviut yarns and knit accessories are sold through partner companies. The strides made by Nunavut Qiviut in this industry are impressive. We look forward to working with them to help develop and grow this Nunavut industry in the years ahead.





## 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; from Vancouver to Quebec City, 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.

In 2017-18, the Sales Division sold over \$1 million in Inuit art. General Manager Scott Laird says that clients appreciate the diversity of items on offer in the showroom, ranging from stunning Inuit sculpture to unique sewn goods and craft items.

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.

**General Manager**  
Scott Laird

**Office Manager**  
Teresa Silva

**Shipper/Receiver**  
Jhon Diaz

Annual Summary	2018	2017
Total Revenues	\$1,212,600	\$950,900
Total Expenses	\$1,132,800	\$961,800
Annual Surplus (Deficit)	\$79,800	\$(10,900)
Jobs Created or Maintained	21.84	16.00
Core Funding – Operations*	\$200,000	\$200,000

\* Core Funding is included in revenues





Arctic UAV (Unmanned Aerial Vehicle) is a newly formed company that is on the leading edge of the exciting UAV industry. The company is 100% Inuit owned and based out of Iqaluit. The emerging UAV industry has huge opportunity and business potential in remote, rural and Northern areas of our country and indeed across the circumpolar world.

Arctic UAV has become a leader in developing and testing UAV technology in the Arctic and is a recognized industry innovator. Here in Nunavut, Arctic UAV has been using UAVs to support such tasks as sea ice monitoring, search and rescue operations, wildlife surveys, environmental studies, land surveys and emergency response support.

Expansion of the operation across Nunavut, Northern and remote/rural Canada is the logical next step for this innovative industry leader. It's growing fleet of fixed-wing, quad-copter and rotary-wing aircraft all of which are Transport Canada licensed, and insured ensures that this company's expertise in Arctic logistics is second to none, with the capability to get any Northern UAV job done.





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## *Subsidiary Operational Summary*



# Subsidiary Operational Summary

## Ivalu Ltd.

	2018	2017
Total Revenues	\$753,800	\$650,400
Total Expenses	\$661,500	\$581,500
Annual Surplus	\$92,300	\$68,900
Jobs Created or Maintained	7.28	7.04
NDC Capital Fund Contributions*	\$4,000	-

\*Subsidy and Capital Fund contributions are included in revenues



### Sales Associate

Sandra Nuviyak

### Board of Directors

Coretti Kakuktinniq, Brian Zawadski, Chris Rudd

## Jessie Oonark Ltd.

	2018	2017
Total Revenues	\$416,700	\$399,300
Total Expenses	\$367,000	\$361,100
Annual Surplus	\$49,700	\$38,200
Jobs Created or Maintained	5.07	5.06
NDC Subsidy Fund Contributions*	\$165,000	\$165,000
NDC Capital Fund Contributions*	\$26,700	\$34,000

\*Subsidy and Capital Fund contributions are included in revenues



### General Manager

David Ford

### Board of Directors

Bernie Tutanuak, Hugh Tulurialik, Sarah Arniq, Nathan Annanaut

## Kiluk Ltd.

	2018	2017
Total Revenues	\$396,200	\$417,700
Total Expenses	\$371,500	\$405,100
Annual Surplus	\$24,700	\$12,600
Jobs Created or Maintained	4.63	4.66
NDC Subsidy Fund Contributions*	\$140,000	\$140,000
NDC Capital Fund Contributions*	\$1,700	\$5,000

\*Subsidy and Capital Fund contributions are included in revenues



### General Manager

Sherlyn Kadjuk

### Board of Directors

Hattie Alagalik, Eva Arnalukjuak, Lena Arviyut, Coretti Kakuktinniq

# Subsidiary Operational Summary

## Kitikmeot Foods Ltd.

	2018	Restated 2017
Total Revenues	\$1,050,900	\$968,000
Total Expenses	\$858,400	\$886,400
Annual Surplus	\$192,500	\$81,600
Jobs Created or Maintained	9.40	10.41
NDC Subsidy Fund Contributions*	\$330,000	\$330,000
NDC Capital Fund Contributions*	\$16,400	-

\*Subsidy and Capital Fund contributions are included in revenues



### General Manager

Stephan Lacasse

### Board of Directors

Bill Lyall, Wilf Wilcox,  
Brian Zawadski,  
Jim MacEachern,  
Scott Saddler

## Kivalliq Arctic Foods Ltd.

	2018	Restated 2017
Total Revenues	\$977,900	\$1,050,100
Total Expenses	\$858,700	\$1,011,700
Annual Surplus	\$119,200	\$38,400
Jobs Created or Maintained	13.69	14.13
NDC Subsidy Fund Contributions*	\$260,000	\$260,000
NDC Capital Fund Contributions*	\$49,800	\$39,000

\*Subsidy and Capital Fund contributions are included in revenues



### General Manager

Scott Saddler

### Board of Directors

Brian Zawadski, Chris Rudd,  
Kyle Tattuinee, Tommy Bruce

## Papiruaq Fisheries Ltd.

	2018	2017
Total Revenues	-	\$2,700
Total Expenses	\$10,600	\$10,600
Annual Deficit	(\$10,600)	(\$7,900)



### Board of Directors

Brian Zawadski

# Subsidiary Operational Summary

## Taluq Designs Ltd.

	2018	2017
Total Revenues	\$149,300	\$141,800
Total Expenses	\$150,800	\$151,000
Annual Deficit	\$(1,500)	\$(9,200)
Jobs Created or Maintained	2.80	2.53
NDC Subsidy Fund Contributions*	\$70,000	\$70,000

\*Subsidy and Capital Fund contributions are included in revenues



### General Manager

Mona Igutsaq

### Board of Directors

Elizabeth Aiyot,  
Anaoyok Alookee,  
Anginalluq Uttaq,  
Brian Zawadski

## Uqqurmiut Arts & Crafts Ltd.

	2018	2017
Total Revenues	\$806,900	\$644,400
Total Expenses	\$737,700	\$613,600
Annual Surplus	\$69,200	\$30,800
Jobs Created or Maintained	15.33	14.17
NDC Subsidy Fund Contributions*	\$238,000	\$238,000
NDC Capital Fund Contributions*	\$30,000	\$40,000

\*Subsidy and Capital Fund contributions are included in revenues



### General Manager

Elena Akpalialuk

### Board of Directors

Jacopie Maniapik,  
Geetee Maniapik,  
Towkie Karpik, Manasie Noah,  
Brian Zawadski,  
Johnelee Nakashook,  
Lena Metuq



Victoria Mamnguqsualuk (Baker Lake)





## Jessie Oonark Ltd.

The Internationally renowned Jessie Oonark Centre operated by Jessie Oonark Ltd. (JOL), an NDC subsidiary, has been a fixture on the Nunavut arts and crafts scene since 1992. The Centre is named for the famed Baker Lake print artist; Order of Canada recipient and member of the Royal Canadian Academy of Artists, the late Jessie Oonark.

The Centre is a hub of activity with local elders frequently dropping in for tea and conversation, as well as tourists, business travellers and town folk. Local artists and craftspeople develop, produce and create distinctive Baker Lake products for the local, domestic, and international markets. Over the years, Baker Lake's JOL has helped develop nationally and internationally recognized artists, sculptors and printmakers, whose products and creations have been exhibited all over the world.

David Ford is the long time General Manager of the Jessie Oonark Centre and a resident of Baker Lake, "Jessie Oonark Ltd. (JOL) remains at the forefront of the Inuit Arts Community territorially and nationally." Outreach and programs facilitated

by the Centre recently included working with the Winnipeg Art Gallery and the Government of Nunavut's Department of Culture and Heritage. Together, they offered art workshops to many Baker Lake residents over a two-week period, which culminated in a successful local exhibition of Baker Lake art at the Centre.

The Centre is also home to print a shop and an exquisite gift boutique that carries a wide assortment of art produced locally and by artists across Nunavut. JOL is also a recognized small business catalyst for Baker Lake artists and entrepreneurs. It offers micro-leasing opportunities to local small businesses while seamstresses employed by the Centre provide commercial services to residents and workers at the nearby Meadowbank mine.

Baker Lake's Jessie Oonark Centre is a source of community pride, ingenuity, employment and artistic entrepreneurship.

# Contract, Procurement and Leasing Activity Reporting

## 2017-18 Contracting Activity Report

Community	Vendor	Project	Award Method	2017-18 Value	2016-17 Value	Inuit Firm Status	Nunavut Business Status
Rankin Inlet	Dean Food Safety Systems	Food Safety Consulting HACCP / QMP	SS	\$59,775	\$44,394	-	-
Rankin Inlet	Gowling Lafleur Henderson	Legal Counsel	PRFP	\$16,517	\$25,788	-	-
Rankin Inlet	R&T Cleaning Enterprises	Janitorial	PRFP	\$10,200	\$9,450	-	-
Rankin Inlet	Lester Landau	Chartered Accountant - Subsidiary Audits	SOA	\$48,467	\$49,730	-	•
Rankin Inlet	Outcrop Nunavut	Communications	SOA	\$59,240	\$53,023	-	•
				<b>\$194,199</b>	<b>\$182,385</b>		

## 2017-18 Leasing Activity Report

Community	Vendor	Project	Award Method	Start Date	Expiry Date	Renewal Options	2017-18 Value	2016-17 Value	Inuit Firm Status	Nunavut Business Status
Mississauga	GWL Reality	Warehouse Lease	SS	2017-01-08	2022-07-31	nil	\$84,230	\$88,742	-	-
Rankin Inlet	Xerox Canada	Copier Lease	SS	03/14/2012	03/15/2017	nil	\$425	\$2,121	-	-
							<b>\$84,655</b>	<b>\$90,863</b>		

PRFP - Public Request for Proposal

SOA - Standing Offer Agreement

SS - Sole Source





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## *Consolidated Financial Statements*



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## Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of the Nunavut Development Corporation, for the year ended March 31, 2018, 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.

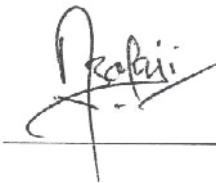
In discharging their responsibility for the integrity and fairness of the consolidated financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, proper records are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

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

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



Darrin Nichol  
President



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

Rankin Inlet, Canada  
24 July, 2018



## INDEPENDENT AUDITOR'S REPORT

To the Minister responsible for the Nunavut Development Corporation

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Nunavut Development Corporation, which comprise the consolidated statement of financial position as at 31 March 2018, 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 a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Nunavut Development Corporation as at 31 March 2018, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Report on Other Legal and Regulatory Requirements**

As required by the *Financial Administration Act* of Nunavut, I report that, in my opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Nunavut Development Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Nunavut Development Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of Nunavut and regulations, the *Nunavut Development Corporation Act* and regulations and the by-laws of the Nunavut Development Corporation.



Chantale Perreault, CPA, CA  
Principal  
for the Auditor General of Canada

24 July 2018  
Ottawa, Canada

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

	2018	2017
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 5,679,227	\$ 5,452,980
Accounts receivable (Note 4)	808,620	730,166
Inventories for resale (Note 5(a))	2,548,845	2,161,184
Portfolio investments (Note 6)	1,651,500	1,340,000
<b>Total Financial Assets</b>	<b>\$ 10,688,192</b>	<b>\$ 9,684,330</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 567,800	\$ 570,860
Employee future benefit liabilities (Note 8)	197,760	183,537
<b>Total Liabilities</b>	<b>\$ 765,560</b>	<b>\$ 754,397</b>
<b>Net Financial Assets</b>	<b>\$ 9,922,632</b>	<b>\$ 8,929,933</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (TCA - Schedule A)	\$ 1,033,815	\$ 1,067,585
Inventories for use (Note 5(b))	1,082,534	867,189
Prepaid expenses	23,427	23,127
<b>Total Non-Financial Assets</b>	<b>\$ 2,139,776</b>	<b>\$ 1,957,901</b>
<b>Accumulated Surplus</b>	<b>\$ 12,062,408</b>	<b>\$ 10,887,834</b>

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 Haviyak  
Chairperson of the Board of Directors

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

	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>			
Sales (Schedule B)	\$ 2,982,000	\$ 3,478,869	\$ 3,115,666
Preference dividend on venture investment	70,000	93,086	80,267
Interest and other income	245,000	179,942	138,016
<b>Total revenues</b>	<b>\$ 3,297,000</b>	<b>\$ 3,751,897</b>	<b>\$ 3,333,949</b>
<b>Expenses</b>			
Cost of goods sold (COGS - Schedule C)	\$ 3,416,800	\$ 3,172,465	\$ 3,125,611
Selling and administration (SG&A - Schedule D)	3,366,050	2,932,605	3,078,331
<b>Total expenses</b>	<b>\$ 6,782,850</b>	<b>\$ 6,105,070</b>	<b>\$ 6,203,942</b>
Deficit before Government contributions	(3,485,850)	(2,353,173)	(2,869,993)
Government contributions (Note 9)	\$ 3,561,000	\$ 3,527,747	\$ 3,550,353
<b>Surplus for the year</b>	<b>75,150</b>	<b>1,174,574</b>	<b>680,360</b>
<b>Accumulated surplus, beginning of the year</b>	<b>10,887,834</b>	<b>10,887,834</b>	<b>10,207,474</b>
<b>Accumulated surplus, end of the year</b>	<b>\$ 10,962,984</b>	<b>\$ 12,062,408</b>	<b>\$ 10,887,834</b>

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

	2018 Budget	2018 Actual	2017 Actual
<b>Surplus for the year</b>	\$ 75,150	\$ 1,174,574	\$ 680,360
<b>Tangible capital assets (Schedule A)</b>			
Additions	\$ (230,000)	\$ (131,939)	\$ (111,823)
Amortization	210,500	163,709	152,460
Disposals	-	2,000	19,278
	\$ (19,500)	\$ 33,770	\$ 59,915
Additions of inventories for use	\$ -	\$ (454,502)	\$ (461,101)
Consumption of inventories for use	-	239,157	348,738
Change due to prepaid expenses	-	(300)	669
	\$ -	\$ (215,645)	\$ (111,694)
<b>Change in net financial assets for the year</b>	\$ 55,650	\$ 992,699	\$ 628,581
<b>Net financial assets, beginning of the year</b>	8,929,933	8,929,933	8,301,352
<b>Net financial assets, end of the year</b>	\$ 8,985,583	\$ 9,922,632	\$ 8,929,933

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

	2018	2017
<b>Cash provided by (used for) operating activities</b>		
Received from customers	\$ 3,270,700	\$ 2,970,229
Received through contributions from the Government of Nunavut	3,655,521	3,480,056
Received through other Contributions	53,644	131,600
Dividends received	87,462	84,200
Interest received	61,170	47,010
Paid to suppliers	(2,980,392)	(2,506,652)
Paid to employees	(2,341,175)	(2,516,681)
Other operations and project payments	(1,142,244)	(1,149,652)
<b>Cash provided by operating activities</b>	<b>664,686</b>	<b>540,110</b>
<b>Cash provided by (used for) investing activities</b>		
Venture equity investment	(311,500)	(125,000)
Proceeds from PFL divestment (Note 6)	-	277,500
<b>Cash provided by (used for) investing activities</b>	<b>(311,500)</b>	<b>152,500</b>
<b>Cash provided by (used for) capital activities</b>		
Tangible capital asset acquisitions	(131,939)	(111,823)
Tangible capital asset disposals	5,000	-
<b>Cash used for capital activities</b>	<b>(126,939)</b>	<b>(111,823)</b>
<b>Increase in cash and cash equivalents</b>	<b>226,247</b>	<b>580,787</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>5,452,980</b>	<b>4,872,193</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$ 5,679,227</b>	<b>\$ 5,452,980</b>

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, 2018

## 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, 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 Subsidy Fund, Capital Fund, Capital Reserve Fund, Venture Investment Fund and Venture Reserve Fund. The Corporation is also required to deposit to the reserve funds an amount equal to 10% of each capital or venture investment made. The Corporation may defer the 10% allocation to cover approved projects expenditures or use the reserve funds for further investment or financing for its subsidiaries and venture investments through approved drawdowns.

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

### c) Government contributions

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

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

# 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
<b>Meat &amp; Fish</b>			
Kivalliq Arctic Foods Ltd.	Rankin Inlet	100%	October 2, 1992
Kitikmeot Foods Ltd.	Cambridge Bay	98%	April 9, 1992
Papiruaq Fisheries Ltd. (formerly 933261 NWT Ltd.)	Whale Cove	51%	February 1, 1993
<b>Arts &amp; Crafts</b>			
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, 2018 are \$715,066 (March 31, 2017 - \$743,049).

### 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, the 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 recovery is considered uncertain, 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, automotive equipment, 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 with 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, 2018:

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 2017.

As a result, the Corporation adopted an accounting policy for Inter-entity transactions (PS 3420). This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. See Note 2 (m) for the Corporation's Inter-entity transactions accounting policy.

The Corporation also adopted the new accounting standards Related party disclosures (PS 2200), Assets (3210), Contingent assets (PS 3320) and Contractual rights (PS 3380). These new accounting standards only impact note disclosures.

The Corporation adopted these policies on a prospective basis. The adoption of these new standards did not result in any financial impact on the Corporation's financial statements, other than disclosure.



### 3 Cash and cash equivalents

	Mar 31, 2018	Mar 31, 2017
Cash held by:		
Parent company	\$4,882,534	\$4,854,606
Subsidiaries	696,693	498,374
Short-term deposits	<u>100,000</u>	<u>100,000</u>
	<b><u>\$5,679,227</u></b>	<b><u>\$5,452,980</u></b>

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 0.5% to 1% (2017 - 0.2% to 0.5%) per annum on the daily average of the daily closing credit balances. Net investment income of \$64,260 (2017 - \$47,776) is included in interest and other income.

As at March 31, 2018, 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 (2017 - \$100,000) bearing 0.20% (2017 - 0.20%) interest rate per annum and maturing in fiscal 2019.

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

	Mar 31, 2018	Mar 31, 2017
Capital fund	\$1,037,640	\$904,022
Capital reserve fund	488,366	471,531
Subsidy fund	189,000	189,000
Venture investment fund	1,900,227	1,873,916
Venture reserve fund	<u>153,650</u>	<u>134,000</u>
Total fund balances	<b><u>\$3,768,883</u></b>	<b><u>\$3,572,469</u></b>

### 4 Accounts receivable

	Mar 31, 2018	Mar 31, 2017
Related parties		
Government of Nunavut Departments	\$38,123	\$58,564
Non-controlling interests	<u>23,352</u>	<u>11,683</u>
	\$61,475	\$70,247
Third parties	<u>860,473</u>	<u>765,903</u>
Total Accounts Receivable	\$921,948	\$836,150
Less: Valuation Allowance (Note 10)	<u>(113,328)</u>	<u>(105,984)</u>
<b>Net accounts receivable</b>	<b><u>\$808,620</u></b>	<b><u>\$730,166</u></b>

During the year, \$104,043 (2017 - \$94,693) of the valuation allowance relates to accounts receivable with third parties. During the year, \$1,639 (2017 - \$656) was written-off, requiring disclosure per *Financial Administration Act*.

## 5 Inventories

### a) For resale

	Mar 31, 2018	Mar 31, 2017
Arts & Crafts	\$2,411,886	\$2,031,066
Meat & Fish	<u>136,959</u>	<u>130,118</u>
	<b><u>\$2,548,845</u></b>	<b><u>\$2,161,184</u></b>

During the year, inventories of \$8,353 (2017 - \$15,734) were written off or marked down.

### b) For use

	Mar 31, 2018	Mar 31, 2017
<b>Raw materials and work-in-process</b>		
Arts & Crafts	\$150,126	\$175,219
Meat & Fish	<u>801,959</u>	<u>557,047</u>
	<u>\$952,085</u>	<u>\$732,266</u>
<b>Packaging supplies</b>		
Arts & Crafts	\$29,662	\$18,723
Meat & Fish	<u>100,787</u>	<u>116,200</u>
	<u>\$130,449</u>	<u>\$134,923</u>
Total inventories for use	<b><u>\$1,082,534</u></b>	<b><u>\$867,189</u></b>

## 6 Portfolio investments

	Mar 31, 2018	Mar 31, 2017
Preferred Shares Investment in -		
· Alliance Limited Partnership	\$250,000	\$250,000
· Tukumaaq Suites Inc.	475,000	475,000
· Sudliq Developments Ltd.	375,000	375,000
· NunaVet Animal Hospital Inc.	126,500	115,000
· CHOU Consulting and Development Inc.	125,000	125,000
· Arctic UAV Inc.	300,000	-
	<hr/>	<hr/>
	<b><u>\$1,651,500</u></b>	<b><u>\$1,340,000</u></b>

## 6 Portfolio investments (cont'd)

### 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.

### Tukumaaq Suites Inc. (TSI)

The Corporation is also a registered holder of 475 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 2019.

### 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.

### 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.

### 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.

## 7 Accounts payable and accrued liabilities

	Mar 31, 2018	Mar 31, 2017
Accounts payable and accrued liabilities		
Related parties - Government of Nunavut		
Departments	\$53,810	\$42,563
Territorial Corporations	29,260	28,421
Petroleum Products Division	57,551	84,880
Related parties - Non-controlling interests	<u>25,917</u>	<u>25,781</u>
	166,538	181,645
Accounts payable and accrued liabilities to third parties	248,010	254,138
Vacation pay and lieu time	<u>153,252</u>	<u>135,077</u>
Total accounts payable and accrued liabilities	<b><u>\$567,800</u></b>	<b><u>\$570,860</u></b>

All amounts above are non-interest bearing 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:

	2018	2017
Employee future benefit liabilities, beginning of year	\$183,537	\$56,680
Cost for the year	<u>14,223</u>	<u>126,857</u>
Employee future benefits, end of year	<b><u>\$197,760</u></b>	<b><u>\$183,537</u></b>

## 9 Government contributions

	2018	2017
<b>Subsidy payments from Government of Nunavut</b>		
Operating purposes	\$2,858,000	\$2,858,000
Capital purposes	230,000	190,000
Venture equity	<u>270,000</u>	<u>310,000</u>
	<b><u>\$3,358,000</u></b>	<b><u>\$3,358,000</u></b>
<b>Other contributions from Government of Nunavut</b>		
Other direct contributions to subsidiaries	<u>169,747</u>	<u>192,353</u>
	<b><u>\$3,527,747</u></b>	<b><u>\$3,550,353</u></b>



## 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, 2018, 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, 2018, the accounts receivable are aged as follows:

	Mar 31, 2018	Mar 31, 2017
Current	\$202,146	\$32,753
31-60 days old	64,004	120,166
61-90 days old	23,764	37,814
Over 90 days old	<u>518,706</u>	<u>539,433</u>
<b>Total accounts receivable</b>	<b><u>\$808,620</u></b>	<b><u>\$730,166</u></b>

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, 2018, 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, 2018	Mar 31, 2017
Balance, beginning of year	\$105,984	\$67,464
Write-offs & write downs during the year	(1,639)	(656)
Additional allowance made during the year	<u>8,983</u>	<u>39,176</u>
<b>Balance, end of year</b>	<b><u>\$113,328</u></b>	<b><u>\$105,984</u></b>

## 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. To mitigate this risk, under its regulations, the maximum the Corporation can lend to, or invest in, any one business enterprise or group of related enterprises is \$1 million. Amounts greater than \$1 million must be approved by the Financial Management Board. 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 2018, 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, 2018 (2017 - \$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, 2018 (2017 - \$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:

2019	\$87,536
2020	88,392
2021	89,424
2022	89,940
2023	<u>29,980</u>

**\$385,272**

"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:

2019	\$2,496
2020	2,496
2021	2,496
2022	2,496
2023	<u>2,496</u>

**\$12,480**

Thereafter, annually	<u>\$2,496</u>
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## 12 Contractual obligations

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:

2019	\$102,090
2020	71,215
2021	33,090
2022	<u>33,090</u>

**\$239,485**

"Uqqurmiut 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	2018 Total	2017 Total
<b>Cost of tangible capital assets</b>								
Opening balance	\$7,421,822	\$2,056,780	\$627,276	\$521,796	\$235,286	\$224,843	\$11,087,803	\$11,304,822
Additions	26,629	55,899	34,288	5,738	9,385	-	131,939	111,823
Disposals/Writeoffs	(1,067)	-	(5,000)	(106,500)	(66,146)	(5,000)	(183,713)	(328,842)
Closing balance	7,447,384	2,112,679	656,564	421,034	178,525	219,843	11,036,029	11,087,803
<b>Accumulated amortization</b>								
Opening balance	(6,504,023)	(2,019,356)	(583,815)	(486,905)	(233,360)	(192,759)	(10,020,218)	(10,177,322)
Disposals/Writeoffs	1,067	-	5,000	106,500	66,146	3,000	181,713	309,564
Amortization allocated to COGS	(60,068)	(22,282)	(14,718)	-	(2,522)	(3,212)	(102,802)	(88,189)
Amortization allocated to SG&A	(23,771)	(2,406)	(11,621)	(9,414)	(2,597)	(11,098)	(60,907)	(64,271)
Closing balance	(6,586,795)	(2,044,044)	(605,154)	(389,819)	(172,333)	(204,069)	(10,002,214)	(10,020,218)
<b>Net book value</b>	<b>\$860,589</b>	<b>\$68,635</b>	<b>\$51,410</b>	<b>\$31,215</b>	<b>\$6,192</b>	<b>\$15,774</b>	<b>\$1,033,815</b>	<b>\$1,067,585</b>



# Nunavut Development Corporation

## Consolidated Schedule of Sales

### For the year ended March 31

## Schedule B

	Arts & Craft	Meat & Fish	2018 Actual	2017 Actual
<b>Sales</b>				
Arts & Crafts	\$2,151,226	\$ -	\$2,151,226	\$1,769,091
Meat & Fish	37,772	1,178,466	1,216,238	1,238,926
Qiniq Internet Service Income	48,192	-	48,192	47,836
Pangnirtung Post Office Income	51,496	-	51,496	46,900
Muskox Leather	-	3,890	3,890	5,744
Management Fee	-	4,218	4,218	5,062
Supplies	3,609	-	3,609	2,107
<b>Total</b>	<b>\$2,292,295</b>	<b>\$1,186,574</b>	<b>\$3,478,869</b>	<b>\$3,115,666</b>
<b>Sales - By Category of Customers</b>				
Government of Nunavut - Departments	14,504	82,855	97,359	90,553
Non-controlling interests	-	89,132	89,132	81,733
Third Parties	2,277,791	1,014,587	3,292,378	2,943,380
<b>Total</b>	<b>\$2,292,295</b>	<b>\$1,186,574</b>	<b>\$3,478,869</b>	<b>\$3,115,666</b>

# Nunavut Development Corporation

## Consolidated Schedule of Cost of Goods Sold (COGS)

### For the year ended March 31

## Schedule C

	Arts & Craft	Meat & Fish	2018 Actual	2017 Actual
<b>Cost of goods sold</b>				
Opening Inventory	\$2,225,007	\$813,802	\$3,038,809	\$2,500,770
Purchases				
Government of Nunavut - Departments	8,376	3,176	11,552	7,770
Non-controlling interests	-	-	-	8,550
Third Parties	1,589,185	363,352	1,952,537	1,717,017
Direct Labour	414,229	361,764	775,993	856,252
Utilities				
Government of Nunavut - Territorial Corp.	46,528	252,918	299,446	365,890
Petroleum Products Division	45,443	56,203	101,646	113,499
Freight and packaging	75,693	280,006	355,699	346,962
Commission	131,378	-	131,378	114,192
Amortization expenses on TCA	25,858	76,944	102,802	88,189
Food safety & Productivity expenses	-	10,399	10,399	17,030
Inventory write-down/markdown	8,353	-	8,353	15,735
Product repair and development	15,230	-	15,230	12,564
Closing Inventory	(2,591,672)	(1,039,707)	(3,631,379)	(3,038,809)
<b>Total</b>	<b>\$1,993,608</b>	<b>\$1,178,857</b>	<b>\$3,172,465</b>	<b>\$3,125,611</b>

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

	Arts & Craft	Meat & Fish	2018 Actual	2017 Actual
<b>Selling and administration expenses</b>				
Salaries and benefits	\$1,392,444	\$235,774	\$1,628,218	\$1,816,762
Travel	178,693	21,403	200,096	196,382
Office supplies	114,339	21,701	136,040	124,930
Project expenses	64,205	66,057	130,262	113,727
Board expenses	121,306	-	121,306	97,219
Professional fees	78,831	35,913	114,744	96,896
Advertising and promotion	103,053	1,573	104,626	112,075
Repairs and maintenance	83,164	20,897	104,061	74,831
Rent	89,255	-	89,255	104,918
Bank charges and interest	46,212	16,129	62,341	56,620
Amortization expenses on TCA	29,590	31,317	60,907	64,271
Telephone	47,852	8,449	56,301	61,653
Vehicle expenses	60	19,233	19,293	15,934
Translating	19,269	-	19,269	11,587
Legal fees	17,581	-	17,581	21,982
Insurance	13,428	-	13,428	12,631
Licenses and lease	1,984	9,373	11,357	10,013
Bad debts	(14,422)	23,405	8,983	24,703
Utilities				
Petroleum Products Division	8,916	-	8,916	10,674
Govt. of Nunavut-Territorial Corp.	6,925	-	6,925	8,516
Freight and postage	7,430	-	7,430	7,943
Department of Fisheries and Oceans Sampling costs	-	5,900	5,900	5,900
Training expenses	4,133	-	4,133	25,895
Miscellaneous	1,233	-	1,233	1,856
Outpost Camps	-	-	-	413
<b>Total</b>	<b>\$2,415,481</b>	<b>\$517,124</b>	<b>\$2,932,605</b>	<b>\$3,078,331</b>





