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**MANITOBA  
DEVELOPMENT  
CORPORATION**

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**Annual Report  
March 2007**

**Manitoba** 

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# **MANITOBA DEVELOPMENT CORPORATION**

**Financial Statements**  
**March 31, 2007**





**MINISTER OF COMPETITIVENESS,  
TRAINING AND TRADE**

Winnipeg, Manitoba, CANADA  
R3C 0V8

His Honour  
The Honourable John Harvard  
Lieutenant Governor of Manitoba  
Room 235 Legislative Building  
405 Broadway Avenue  
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation for the fiscal year ending March 31, 2007.

Respectfully submitted,

Original Signed by...

Jim Rondeau  
Minister



**Competitiveness, Training and Trade**  
Manitoba Development Corporation  
1040 - 259 Portage Avenue  
Winnipeg MB R3B 3P4  
T 204-945-7626 F 204-945-1193

Honourable Jim Rondeau  
Competitiveness, Training and Trade  
Room 333 Legislative Building  
Winnipeg MB R3C 0V8

Dear Minister Rondeau:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2007, as required by Section 44 of the Development Corporation Act.

Respectfully submitted,

Original Signed by...

Hugh Eliasson  
Chairperson

**Manitoba**  
spirited energy



**Competitiveness, Training and Trade**  
Manitoba Development Corporation  
1040 - 259 Portage Avenue  
Winnipeg MB R3B 3P4  
T 204-945-7626 F 204-945-1193

## THE MANITOBA DEVELOPMENT CORPORATION

# MANAGEMENT REPORT

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

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

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

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James F. Kilgour, C.A.  
General Manager

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Kristine Seier, CMA  
Secretary-Treasurer

**MANITOBA DEVELOPMENT  
CORPORATION**

**Financial Statements**  
**For the year ended March 31, 2007**

# **MANITOBA DEVELOPMENT CORPORATION**

## **Financial Statements**

For the year ended March 31, 2007

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**BDO Dunwoody LLP/s.r.l.**  
Chartered Accountants and Advisors  
Comptables agréés et conseillers

700 - 200 Graham Avenue  
Winnipeg Manitoba Canada R3C 4L5  
Telephone/Téléphone: (204) 956-7200  
Fax/Télécopieur: (204) 926-7201  
Toll Free/Sans frais: 1-800-268-3337  
[www.bdo.ca](http://www.bdo.ca)

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## Auditors' Report

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**To the Shareholder of  
MANITOBA DEVELOPMENT CORPORATION**

We have audited the balance sheet of **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody*

Chartered Accountants

Winnipeg, Manitoba  
June 1, 2007



## MANITOBA DEVELOPMENT CORPORATION

### Balance Sheet

For the year ended March 31

2007                      2006

	PNP-B	MDC Part I	MDC Part II	Total	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 99,873	\$ 109,524	\$ -	\$ 209,397	\$ 913,285
Cash held in trust	-	-	282,947	282,947	155,338
Short-term investments	7,213,919	4,452,704	-	11,666,623	4,333,649
Accounts receivable (Note 2)	445,759	4,004	-	449,763	296,969
	<b>7,759,551</b>	<b>4,566,232</b>	<b>282,947</b>	<b>12,608,730</b>	<b>5,699,241</b>
<b>Assets Managed for the Province of Manitoba</b>					
Loans receivable (Note 4)	-	-	45,438,714	45,438,714	42,686,891
Equity Investments (Note 5)	-	-	6,621,597	6,621,597	4,772,605
	<b>26,741,139</b>	<b>-</b>	<b>-</b>	<b>26,741,139</b>	<b>27,260,036</b>
<b>Trust Funds (Note 6)</b>	<b>\$ 34,500,690</b>	<b>\$ 4,566,232</b>	<b>\$ 52,343,258</b>	<b>\$ 91,410,180</b>	<b>\$ 80,418,773</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 285,195	\$ 319,701	\$ -	\$ 604,896	\$ 431,657
<b>Funds provided by the Province of Manitoba</b>	<b>-</b>	<b>-</b>	<b>52,343,258</b>	<b>52,343,258</b>	<b>47,614,834</b>
<b>Trust liabilities (Note 6)</b>	<b>26,741,139</b>	<b>-</b>	<b>-</b>	<b>26,741,139</b>	<b>23,234,761</b>
<b>Severance pay benefits (Note 3)</b>	<b>102,241</b>	<b>-</b>	<b>-</b>	<b>102,241</b>	<b>-</b>
	<b>27,128,575</b>	<b>319,701</b>	<b>52,343,258</b>	<b>79,791,534</b>	<b>71,281,252</b>
<b>Commitments (Note 9)</b>					
<b>Shareholder's Equity</b>					
Share capital - authorized and issued 100 shares at \$10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 7)	4,063,543	-	-	4,063,543	4,918,648
Retained earnings	3,308,572	4,245,531	-	7,554,103	4,217,873
	<b>7,372,115</b>	<b>4,246,531</b>	<b>-</b>	<b>11,618,646</b>	<b>9,137,521</b>
	<b>\$ 34,500,690</b>	<b>\$ 4,566,232</b>	<b>\$ 52,343,258</b>	<b>\$ 91,410,180</b>	<b>\$ 80,418,773</b>

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

## MANITOBA DEVELOPMENT CORPORATION

### Statement of Operations and Retained Earnings

For the year ended March 31

	2007				2006
	PNP-B	MDC Part I	MDC Part II	Total	Total
<b>Income</b>					
Interest	\$ 1,186,813	\$ 383,360	\$ 3,077,052	\$ 4,647,225	\$ 4,076,295
Foreign exchange gain	-	-	-	-	85,431
Forfeitures (Note 6)	2,000,079	-	-	2,000,079	4,425,275
Recovery of Program Administration Expenses (Note 8)	449,229	-	-	449,229	385,398
Prepayment penalty fee	-	-	-	-	527,292
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Recovery of provision for loan forgiveness	-	-	-	-	(937,120)
Provision for doubtful accounts (recovery)	-	-	59,681	59,681	(3,764,798)
Provision for decline in value of investments	-	-	181,174	181,174	131,617
Pro-rata share of partnership losses	-	-	576,882	576,882	53,424
Foreign currency translation loss	-	-	-	-	481,500
	<b>3,636,121</b>	<b>383,360</b>	<b>3,894,789</b>	<b>7,914,270</b>	<b>5,464,314</b>
<b>Expenses</b>					
Program administration	1,164,925	100,387	-	1,265,312	1,030,345
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	3,077,052	3,077,052	3,190,648
Recovery of provision for loan forgiveness	-	-	-	-	(937,120)
Provision for doubtful accounts (recovery)	-	-	59,681	59,681	(3,764,798)
Provision for decline in value of investments	-	-	181,174	181,174	131,617
Pro-rata share of partnership losses	-	-	576,882	576,882	53,424
Foreign currency translation loss	-	-	-	-	481,500
	<b>1,164,925</b>	<b>100,387</b>	<b>3,894,789</b>	<b>5,160,101</b>	<b>185,616</b>
Transfers to the Department of Labour and Immigration (Note 10)	263,044	-	-	263,044	-
Transfers to the Department of Competitiveness, Training and Trade (Note 10)	10,000	-	-	10,000	56,200
	<b>1,437,969</b>	<b>100,387</b>	<b>3,894,789</b>	<b>5,433,145</b>	<b>241,816</b>
<b>Net income for the year</b>	<b>2,198,152</b>	<b>282,973</b>	<b>-</b>	<b>2,481,125</b>	<b>5,222,498</b>
<b>Retained earnings, beginning of year</b>	<b>255,315</b>	<b>3,962,558</b>	<b>-</b>	<b>4,217,873</b>	<b>3,275,965</b>
<b>Transfer of Provincial Nominee Program for Business from Manitoba Trade and Investment Corporation (Note 1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638,058</b>
<b>Transfer from (to) Restricted Surplus (Note 7)</b>	<b>855,105</b>	<b>-</b>	<b>-</b>	<b>855,105</b>	<b>(4,918,648)</b>
<b>Retained earnings, end of year</b>	<b>\$ 3,308,572</b>	<b>\$ 4,245,531</b>	<b>\$ -</b>	<b>\$ 7,554,103</b>	<b>\$ 4,217,873</b>

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

## MANITOBA DEVELOPMENT CORPORATION

### Statement of Cash Flows

**For the year ended March 31** **2007** **2006**

#### Cash Flows from Operating Activities

Net income for the year	\$ 2,481,125	\$ 5,222,498
Adjustments for		
Allowance for loan forgiveness recovery	-	(937,120)
Provision for doubtful accounts (recovery)	59,681	(3,764,798)
Provision for decline in value of investments	181,174	131,617
Pro-rata share of partnership losses	576,882	53,424
Provision for forfeitures	(2,000,079)	(4,025,275)
Recovery (reimbursement) of Part II expenses from (to)		
the Province of Manitoba	(817,737)	4,516,877
	<u>481,046</u>	<u>1,197,223</u>
Changes in non-cash working capital balances		
Accounts receivable	(152,794)	(295,160)
Accounts payable	173,239	113,815
	<u>20,445</u>	<u>(181,345)</u>
Severance pay benefits	102,241	-
<b>Net cash flow from operating activities</b>	<b><u>603,732</u></b>	<b><u>1,015,878</u></b>

#### Cash Flows from Investing Activities

Loans receivable		
Principal repayments	6,270,566	28,756,560
Loans issued	(9,021,376)	(1,065,000)
Increase in accrued interest receivable	(60,694)	(36,074)
Equity investments		
Investments made	(2,607,048)	(461,818)
Provincial Nominee Program for Business Trust Funds	518,897	(27,260,036)
	<u>(4,899,655)</u>	<u>(66,368)</u>
Funds provided by the Province of Manitoba		
Part II	5,546,161	(27,206,526)
Provincial Nominee Program for Business	5,506,457	27,898,094
<b>Net cash flow from investing activities</b>	<b><u>6,152,963</u></b>	<b><u>625,200</u></b>

#### Net increase in cash and cash equivalents

	6,756,695	1,641,078
<b>Cash and cash equivalents, beginning of year</b>	<u>5,402,272</u>	<u>3,761,194</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,158,967</b>	<b>\$ 5,402,272</b>

#### Represented by:

Cash	\$ 209,397	\$ 913,285
Short-term investments	11,666,623	4,333,649
Cash held in trust	282,947	155,338
	<u>\$ 12,158,967</u>	<u>\$ 5,402,272</u>

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

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# MANITOBA DEVELOPMENT CORPORATION

## Summary of Significant Accounting Policies

**March 31, 2007**

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

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

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

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

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

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

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# MANITOBA DEVELOPMENT CORPORATION

## Summary of Significant Accounting Policies

March 31, 2007

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### **Financial Instruments**

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments.

The financial risk is the risk to the corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

All financial instruments are denominated in Canadian dollars.

The corporation does not participate in derivative financial instrument trading.

### **Operating Losses**

Losses under Part I and under Part II of the corporation are the responsibility of the Province and are charged directly against advances received from the Province.

### **Cash**

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

### **Foreign Currency Translation**

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

### **Contributed Services**

During the year, the Province of Manitoba provided office space and other administrative services to the corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

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## **MANITOBA DEVELOPMENT CORPORATION Summary of Significant Accounting Policies**

**March 31, 2007**

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### **Program Administration and Recoveries**

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

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# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

**March 31, 2007**

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### 1. Nature of Operations and Economic Dependence

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

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

On March 15, 2005, the Province of Manitoba authorized the transfer of financial administration of the Provincial Nominee Program for Business from the Manitoba Trade and Investment Corporation (MTIC) to the Corporation effective April 1, 2005. Related assets of \$23,033,926, liabilities of \$22,395,868 and retained earnings of \$638,058 were transferred on that date. The Manitoba Provincial Nominee Program for Business allows Manitoba to recruit, select, and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish or purchase a business.

Effective April 1, 2006, Treasury Board provided authority to convert 10 employment contracts in the Corporation to regular staff positions, which entitles the staff to receive a similar benefits package to other Provincial Civil Servants. The staff in those positions support the Provincial Nominee Program for Business, Young Farmers Program, Business Settlement Program, Manitoba Opportunities Fund, and Marketing Support Group.

### 2. Accounts Receivable

	<u>2007</u>	<u>2006</u>
Province of Manitoba	\$ 292,901	\$ 111,105
Other	37,786	16,199
Accrued Interest	<u>119,076</u>	<u>169,665</u>
	<u>\$ 449,763</u>	<u>\$ 296,969</u>

### 3. Severance Pay Benefits

Upon transfer of employees from the Province on April 1, 2006, the Corporation assumed accumulated severance pay obligations from the Province of Manitoba for its employees. The amount of severance pay obligations is calculated based on the severance policies of the Province of Manitoba.

**MANITOBA DEVELOPMENT CORPORATION**  
**Notes to Financial Statements**

**March 31, 2007**

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

	<b>2007</b>	2006
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	<b>\$ 55,869,228</b>	\$ 55,862,840
- Forgivable	<b>3,792,063</b>	3,792,063
Manufacturing Adaptation Program	<b>-</b>	2,491
	<b>59,661,291</b>	59,657,394
Other Loans Receivable		
Elmwood Cemetery	<b>-</b>	75,000
	<b>59,661,291</b>	59,732,394
Less: Allowance for forgiveness	<b>(3,792,063)</b>	(3,792,063)
Allowance for doubtful accounts	<b>(10,430,514)</b>	(13,253,440)
	<b>(14,222,577)</b>	(17,045,503)
	<b>\$ 45,438,714</b>	\$ 42,686,891

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

	<b>2007</b>	2006
2007	\$ -	\$ 7,730,760
2008	<b>5,808,576</b>	20,766,512
2009	<b>5,012,941</b>	4,788,148
2010	<b>9,073,933</b>	3,086,515
2011	<b>13,144,752</b>	6,459,966
Subsequent to 2011	<b>-</b>	12,812,479
2012	<b>13,602,126</b>	-
Subsequent to 2012	<b>8,947,745</b>	-
Accrued interest	<b>279,155</b>	218,461
	<b>55,869,228</b>	55,862,841
Allowance	<b>(10,430,514)</b>	(13,250,950)
	<b>\$ 45,438,714</b>	\$ 42,611,891



# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

**March 31, 2007**

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

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation charges interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2007	2006
Nil	\$ 1,003,231	\$ 1,622,671
Greater than Nil, less than 5%	29,730,537	30,913,727
5% or greater, less than 6%	16,203,010	17,804,552
6% or greater, less than 7%	6,636,628	2,782,597
7% or greater, less than 8%	2,016,667	2,520,833
Accrued interest	279,155	218,461
	55,869,228	55,862,841
Allowance	(10,430,514)	(13,250,950)
	<b>\$ 45,438,714</b>	<b>\$ 42,611,891</b>

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

In exchange for contractual obligations which normally commit debtor companies to create and maintain jobs, the Corporation has provided forgivable loans. A portion of these loans is normally forgiven annually subject to the Corporation's confirmation that jobs have been created and maintained. Forgivable loans together with projected timing of forgiveness are as follows:

	2007	2006
Forgivable within 1 year	\$ 2,080,427	\$ 1,140,287
Forgivable within 2 years	-	940,140
Forgivable in more than 3 years	1,711,636	1,711,636
	<b>\$ 3,792,063</b>	<b>\$ 3,792,063</b>

## MANITOBA DEVELOPMENT CORPORATION Notes to Financial Statements

**March 31, 2007**

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

	2007	2006
Share capital investments		
Faneuil ISG Inc.	\$ 1	\$ 1
Less: Allowance for forgiveness of shares	1	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	300,000	-
CentreStone Vision Fund	1,709,408	801,584
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,731,997	1,682,773
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	5,150,000	3,800,000
Vision Capital Fund	1	1
	16,254,606	13,647,558
Less: Allowance for decline in value of investments	(9,537,440)	(9,356,266)
Add (less): Pro-rata share of partnership earnings (losses)	(95,569)	481,313
	(9,633,009)	(8,874,953)
	\$ 6,621,597	\$ 4,772,605

On January 17, 2002, Faneuil ISG Inc. was purchased by 3863620 Canada Limited. As a result of this transaction, the Province agreed to convert its existing investment into 11,000,000 preference shares of 3863620 Canada Limited. On December 30, 2004 the rights pertaining to these shares were changed. The new rights attached to these shares are non-retractable, non-voting with no dividend rights and on the liquidation, winding up or dissolution of Faneuil the Province will participate in the assets of Faneuil pari-passu with the holders of Class A common and Class B common shares.

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

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## MANITOBA DEVELOPMENT CORPORATION

### Notes to Financial Statements

**March 31, 2007**

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

	<u>2007</u>	<u>2006</u>
Gross Trust Liabilities	\$ 26,741,139	\$ 27,260,036
Allowance for forfeitures	-	(4,025,275)
	<u>\$ 26,741,139</u>	<u>\$ 23,234,761</u>

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

At March 31, 2007, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled \$26,741,139 (2006 - \$27,260,036). Interest earned on these deposits during the year and retained by the Corporation totaled \$1,186,813 (2006 - \$740,912). Actual deposits retained during the year and included in total Forfeitures revenue amounted \$2,275,079 (2006 - \$400,000) which are presented net of an allowance adjustment of \$275,000 (2006 - \$4,025,275).

#### 7. Restricted Surplus

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

# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

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

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

	<b>2007</b>	2006
Departmental appropriations - Competitiveness, Training and Trade	<b>\$ 217,541</b>	\$ 254,154
Manitoba Opportunities Fund Ltd.	<b>210,343</b>	68,647
Participants Program	<b>21,345</b>	62,597
	<b>\$ 449,229</b>	\$ 385,398

The Manitoba Opportunities Fund Ltd. also provided a recovery of \$77,077 (2006 - \$25,231) to cover salary and occupancy costs related to a Corporation employee who worked exclusively on Manitoba Opportunities Fund Ltd. matters (this recovery has been netted against Program Administration Expenses). The Manitoba Opportunities Fund Ltd. operates under the control of a common Board of Directors.

### 9. Commitments

Commitments and undisbursed balances of approved loans under Part II:

	<b>2007</b>	2006
Manitoba Industrial Opportunities Program	<b>\$ 14,700,192</b>	\$ 20,969,984
Manitoba Science & Technology Fund	<b>768,003</b>	817,227
Canterbury Park Capital	<b>9,700,000</b>	-
CentreStone Venture Fund Limited	<b>3,290,592</b>	4,198,416
Manitoba Capital Fund	<b>353,334</b>	353,334
Western Life Sciences Venture Fund LLP	<b>650,000</b>	1,200,000
	<b>\$ 29,462,121</b>	\$ 27,538,961

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# MANITOBA DEVELOPMENT CORPORATION

## Notes to Financial Statements

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### 10. Growing Through Immigration Strategy Support

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

	<u>2007</u>	<u>2006</u>
Transfers to the Department of Labour and Immigration	\$ 263,044	\$ -
Transfers to the Department of Competitiveness, Training and Trade	<u>10,000</u>	<u>56,200</u>
	<u>\$ 273,044</u>	<u>\$ 56,200</u>

### 11. Financial Instruments

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

### 12. Employee Pension Benefits

Employees of Manitoba Development Corporation are eligible for pension benefits in accordance with the provisions for the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Manitoba Development Corporation, through the Civil Service Superannuation Fund.

The corporation is required to pay the Province of Manitoba an amount equal to its employees current pension contributions. The amount paid for 2007 was \$31,273 (2006 - \$Nil). Under this agreement, the corporation has no further pension liability.

### 13. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.