
**MANITOBA
DEVELOPMENT
CORPORATION**

**Annual Report
March 2012**



MANITOBA DEVELOPMENT CORPORATION

Financial Statements
March 31, 2012





**MINISTER OF ENTREPRENEURSHIP,
TRAINING AND TRADE**

Winnipeg, Manitoba CANADA
R3C 0V8

His Honour
The Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
405 Broadway Avenue
Winnipeg MB R3C 0V8

Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation
for the fiscal year ending March 31, 2012.

Respectfully submitted,

Original signed by...

Peter Bjornson
Minister



Honourable Peter Bjornson
Entrepreneurship, Training and Trade
Room 333 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Bjornson:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2012, as required by Section 44 of the Development Corporation Act.

Respectfully submitted,

Original signed by...

Hugh Eliasson
Chairperson

MANITOBA DEVELOPMENT CORPORATION

CORPORATE REPORT

CORPORATE PROFILE

DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Peter Bjornson

Board of Directors:

Chairperson: Hugh Eliasson

General Manager: James Kilgour

Director: Barb Dryden

HEAD OFFICE

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PROFILE

The Manitoba Development Corporation (MDC) provides financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. The three main programs administered by MDC are Manitoba Industrial Opportunities Program (MIOP), the Third-Party Investment Funds Program (Investment Program), and since April 1, 2005 the Provincial Nominee Program for Business (PNP-B). The Province determines which programs will be housed in MDC, what resources are available to administer the programs, and the desired outcomes for those programs.

MANITOBA INDUSTRIAL OPPORTUNITIES PROGRAM

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

The primary criteria in assessing any request for assistance will be:

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

The Program provides repayable, secured loans or loan guarantee assistance to recipient companies in return for significant project investment and/or long-term job creation. Most loan repayment terms are 60 to 84 months and repayment terms can be flexible. Favorable interest rates are available to businesses that undertake significant project investment, and/or create new jobs.

The nature and level of provincial support offered to a project is established by a detailed review of the proponent's business plan, including a rigorous cost/benefit analysis and risk appraisal.

Program Objectives:

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

In certain cases the program supports projects that increase the number of jobs created in Manitoba; in other cases the program supports projects that maintain existing in Manitoba

Program Performance and Trends:

From March 31, 2000 to March 31, 2012 the MIOP program approved 48 business expansion loans totaling \$238 million, which levered \$560 million additional capital, for a total Manitoban investment of \$799 million, supporting approximately 8,887 Manitoba jobs. In 2011/12 MDC had \$5.8 million of new loans approved, which levered \$2.0 million in additional capital, for a total Manitoba investment of \$7.8 million.

Based on new loans approved	2009/10	2010/11	2011/12
Total Projected Manitoba Capital Spend resulting from newly Approved Loans	\$153,600.0	\$5.3	\$7.8
Incremental Projected Capital Spend resulting from newly Approved Loans	\$121,300.0	\$3.0	\$2.0
Jobs Created/ Maintained resulting from newly Approved Loans	117	28	50

As at March 31, 2012 the program has 20 active loans totaling \$96.6 million under management, with 4,914 Manitoba full time equivalent jobs required per the loan agreements and 4,812 Manitoba full time equivalent jobs maintained.

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

Acetek Composites Inc	682,030
AcSION Industries Inc.....	392,263
Color Ad Packaging (3759326 Canada Limited).....	7,256,800
Ensis Growth Fund Inc.....	239,682
Glacier LP	8,480,769
Hytek Ltd.....	9,083,333
Intelligent Hospital Systems Inc	2,300,000
Magellan Aerospace Ltd	18,750,911
Medicure Inc	5,000,000
Monteris Medical Inc	1,694,445
Motor Coach Industries Ltd	6,800,000
Palliser Furniture Ltd.....	13,485,000
Premier Horticulture	2,166,667
Prendiville Corp.....	404,570
Superior Finishes Inc	750,000
Winnipeg Airport Authority	<u>17,928,431</u>
Subtotal.....	95,516,135
Net accrued and capitalized interest.....	<u>1,127,783</u>
Total	<u>96,644,008</u>

THIRD-PARTY INVESTMENT FUNDS PROGRAM

The Third-Party Investment Funds Program provides investment capital to venture capital limited partnerships that are managed by the private sector, who in turn invest this capital in small to medium sized businesses. The clients for the Investment Program are businesses and professionally managed investment funds such as limited partnerships.

Program Objectives:

- To create pools of capital that are managed in Manitoba and the capital is available to be invested in Manitoba businesses.
- Create jobs within Manitoba.
- Increase the flow of capital to Manitoba businesses.
- Earn a return on investment that exceeds the Province's cost of capital.

Program Performance and Trends:

From its inception in 1996 to March 31, 2012, the Investment Program has advanced \$22.7 million in six limited partnerships.

Third Party Investment Funds Program equity investments net of repayments as published in Volume 3 of the Public Accounts as at March 31, 2012 are:

Canterbury Park Capital LLP	2,985,075
CentreStone Ventures Fund	3,254,118
Manitoba Science & Technology Fund	1,824,126
Manitoba Capital Fund.....	4,363,200
Renaissance Capital Fund.....	3,000,000
Western Life Science Venture Capital Fund LLP	<u>4,875,000</u>
Total	20,301,519

From its inception in 1996 to March 31, 2012, in aggregate the limited partnerships in the Investment Program have invested approximately \$172.7 million (2010/11 - \$169.5 million and 2009/10 - \$166.5 million) into 78 business entities, of which 67 were Manitoba companies.

PROVINCIAL NOMINEE PROGRAM FOR BUSINESS

The Province of Manitoba and Government of Canada share responsibilities regarding business people immigrating to Canada through the Provincial Nominee Program for Business Program (PNP-B). PNP-B allows Manitoba to recruit and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish, purchase a business or become partners in an existing business.

PNP-B accelerates the immigration process by providing a Nomination Certificate which allows for faster processing by the Government of Canada of immigration applications. The Province of Manitoba is committed to help new immigrants settle successfully, identify business opportunities and establish businesses or farms in the province.

Program Objectives:

- Recruit immigrants who will contribute to the province's economy by living in Manitoba and investing in and operating a business or farm in Manitoba.
- Attract experienced young farmers who will establish a farm business operation in Manitoba.
- Provide settlement supports through a Business Settlement Office designed to reduce the barriers new business immigrants have to establishing a business in Manitoba.
- Conducts seminars and attends conferences in various regions of the world to promote Manitoba's business and lifestyle advantages to potential business immigrants.

Program Performance and Trends:

The PNP-B monitors initial business investments by business immigrants under the program as well as the number of applicants approved

	2009/2010	2010/11	2011/12	Since 2001
# of Investments	92	67	77	481
Initial Investments (\$000)	\$33,487.0	\$13,491.5	\$22,960.4	\$186,662.6
Approved Applicants	387	336	164	2,175

**MANITOBA DEVELOPMENT
CORPORATION**

Financial Statements
For the years ended March 31, 2012
and March 31, 2011

MANITOBA DEVELOPMENT CORPORATION

Financial Statements

For the years ended March 31, 2012 and March 31, 2011

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Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of **MANITOBA DEVELOPMENT CORPORATION** and have been prepared in accordance with Public sector accounting standards. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available to June 22, 2012.

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

The responsibility of the external audit is to express an independent opinion on whether the financial statements of **MANITOBA DEVELOPMENT CORPORATION** are fairly represented in accordance with Public sector accounting standards. The Independent Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,
MANITOBA DEVELOPMENT CORPORATION

Jim Kilgour, General Manager

June 22, 2012



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BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Shareholder of MANITOBA DEVELOPMENT CORPORATION

We have audited the accompanying financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

MANITOBA DEVELOPMENT CORPORATION
Statement of Financial Position

	March 31		March 31		April 1	
	2012		2011		2010	
	PNP-B	MDC Part I	MDC Part II	Total	Total	Total
Financial Assets						
Cash	\$ 810,131	\$ 793,325	\$ -	\$ 1,603,456	\$ 1,142,032	\$ 1,034,565
Cash held in trust	-	-	513,373	513,373	380,452	78,290
Temporary investments (Note 5)	19,949,732	4,408,779	-	24,358,511	22,414,977	19,754,087
Accounts receivable (Note 6)	1,099,129	57,301	-	1,156,430	1,006,219	960,682
Loans receivable (Note 7)	-	-	94,819,221	94,819,221	81,973,571	89,943,981
Portfolio investments (Note 8)	-	-	7,338,335	7,338,335	8,152,798	9,860,506
Trust Funds (Note 9)	75,840,155	-	-	75,840,155	75,528,506	57,856,704
	97,699,147	5,259,405	102,670,929	205,629,481	190,598,555	179,488,815
Liabilities						
Accounts payable	2,638,559	456,756	-	3,095,315	2,353,074	1,364,489
Funds provided by the Province of Manitoba	-	-	102,670,929	102,670,929	90,502,256	99,872,212
Trust liabilities (Note 9)	75,840,155	-	-	75,840,155	75,528,506	57,856,704
	78,478,714	456,756	102,670,929	181,606,399	168,383,836	159,093,405
Net financial assets	19,220,433	4,802,649	-	24,023,082	22,214,719	20,395,410
Accumulated surplus (Note 10)	\$ 19,220,433	\$ 4,802,649	\$ -	\$ 24,023,082	\$ 22,214,719	\$ 20,395,410

Commitments (Note 12)

Approved on behalf of the Board:

_____ Director

_____ Director

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations and Accumulated Surplus

For the years ended March 31	2012		2011
	Budget	Actual	Actual
Income			
Interest	\$ 11,562,204	\$ 7,070,591	\$ 6,640,373
Deposit Retentions (Note 9)	5,618,000	3,275,321	2,800,215
Recovery of Program Administration Expenses (Note 11)	33,300	25,919	33,729
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba			
Provision for doubtful accounts	2,525,736	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	486,909	1,300,978	(130,857)
Foreign currency translation loss	-	-	1,360,329
	20,226,149	18,335,112	14,400,315
Expenses			
Program administration	2,607,800	1,497,822	1,393,411
Payment of Part II interest on loan receivable to the Province of Manitoba	8,810,000	4,506,646	4,374,597
Provision for doubtful accounts	2,525,736	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	486,909	1,300,978	(130,857)
Foreign currency translation loss	-	-	1,360,329
	14,430,445	13,967,749	10,694,006
Transfers to the Department of Immigration and Multiculturalism (Note 13)	2,871,000	1,649,000	1,293,000
Transfers to the Department of Entrepreneurship, Training and Trade (Note 13)	-	910,000	594,000
	17,301,445	16,526,749	12,581,006
Annual surplus	\$ 2,924,704	1,808,363	1,819,309
Accumulated surplus, beginning of year		22,214,719	20,395,410
Accumulated surplus, end of year (Note 10)		\$ 24,023,082	\$ 22,214,719

MANITOBA DEVELOPMENT CORPORATION
Statement of Changes in Net Financial Assets

For the years ended March 31	2012	2011
Annual surplus	\$ 1,808,363	\$ 1,819,309
Net financial assets, beginning of year	<u>22,214,719</u>	<u>20,395,410</u>
Net financial assets, end of year	<u>\$ 24,023,082</u>	<u>\$ 22,214,719</u>

MANITOBA DEVELOPMENT CORPORATION

Statement of Cash Flows

For the years ended March 31	2012	2011
Cash Provided by (Applied to)		
Operating		
Annual surplus	\$ 1,808,363	\$ 1,819,309
Adjustments for		
Foreign currency translation loss	-	1,360,329
Provision for doubtful accounts	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	1,300,978	(130,857)
Provision for Deposit Retentions	(3,275,321)	(2,800,215)
Recovery (reimbursement) of Part II expenses to the Province of Manitoba	(7,963,281)	(4,925,998)
	<u>(1,466,958)</u>	<u>(980,906)</u>
Changes in		
Accounts receivable	(150,211)	(45,537)
Accounts payable	742,243	988,585
Short-term investments	(1,943,534)	(2,660,890)
	<u>(1,351,502)</u>	<u>(1,717,842)</u>
Cash applied to operating activities	<u>(2,818,460)</u>	<u>(2,698,748)</u>
Investing		
Loans receivable		
Principal repayments	7,092,760	16,455,690
Loans issued	(27,010,917)	(13,906,944)
Change in accrued interest receivable	(170,563)	228,513
Capitalized interest written-off	580,766	-
Portfolio investments		
Investments made	(491,082)	(333,676)
Provincial Nominee Program for Business Trust Funds	(1,655,761)	(15,124,786)
	<u>(21,654,797)</u>	<u>(12,681,203)</u>
Funds provided by the Province of Manitoba Part II	20,136,522	(2,135,422)
Provincial Nominee Program for Business	3,586,968	20,472,017
	<u>2,068,693</u>	<u>5,655,392</u>
Cash provided by investing activities	<u>2,068,693</u>	<u>5,655,392</u>
Net increase (decrease) in cash and cash equivalents	(749,767)	2,956,644
Cash and cash equivalents, beginning of year	7,168,564	4,211,920
Cash and cash equivalents, end of year	\$ 6,418,797	\$ 7,168,564
Represented by		
Cash	\$ 1,603,456	\$ 1,142,032
Cash held in trust	513,373	380,452
Cash held in trust included in Trust Funds	4,301,968	5,646,080
	<u>\$ 6,418,797</u>	<u>\$ 7,168,564</u>
Supplemental Cash Flow Information		
Interest paid	\$ 4,819,533	\$ 4,181,018
Interest received	6,920,380	6,592,751

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

1. Nature of Operations and Economic Dependence

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

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

The Corporation considers its capital to comprise its shareholder's equity (including share capital, restricted surplus and unrestricted surplus). There have been no changes to what the Corporation considers to be its capital since the previous period.

As a government enterprise, the Corporation's operations are reliant on revenues generated annually. The Corporation has accumulated surplus over its history, which are included in accumulate surplus in the statement of financial position. A portion of these accumulated funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The Province of Manitoba has directed that the balance of restricted surplus for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings. For the year ended March 31, 2011, the Corporation has complied with these restrictions.

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as defined by the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook. Public sector accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates.

As of April 1, 2011, the Corporation adopted Public Sector Accounting (PSA) Standards with a transition date of April 1, 2010. More details on this transition are provided in Note 5.

The adoption of PSA Standards includes early adoption of Sections PS 1201 Financial Instruments, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

3. Summary of Significant Accounting Policies

a. Financial Assets

(i) Cash and Cash Equivalents

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.

(ii) 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.

(iii) Portfolio 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 cost method of accounting.

An allowance for Portfolio 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.

(iv) Trust Funds

Trusts funds are deposits held in trust under the Provincial Nominee Program for Business. These deposits are recorded at cost.

b. Liabilities

Liabilities are present obligations as a result of transactions and events occurring prior to the end of the period. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

3. Summary of Significant Accounting Policies (continued)

c. Expenses

(i) Accrual Accounting

All expenses incurred for goods and services are recorded on an accrual basis.

(ii) Government Transfers

Government transfers are recognized as expenses in the period in which transfers are authorized and eligibility criteria have been met.

d. 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.

e. 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 time of settlement, the financial assets and liabilities are translated into Canadian dollars. An exchange gain or loss is recognized in the statement of operations in the period of settlement.

f. 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.

g. 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.

4. First-time Adoption of Public Sector Accounting Standards

In previous fiscal years, Manitoba Development Corporation classified itself as a Government Entity and followed the recommendations of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Part V. In accordance with recommendations of the Public Sector Accounting Handbook, Manitoba Development Corporation has determined that it is an "other government organization" and has determined that PSA Standards are the most appropriate framework for reporting purposes.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

4. First-time Adoption of Public Sector Accounting Standards (continued)

These new standards were required to be applied retroactively. The impacts of this change are as follows:

	March 31 2011	April 1 2010
(a) Portfolio investments		
Portfolio investments as per previous financial statements	\$ 4,405,219	\$ 5,685,135
Add: Pro-rata share of partnership losses	3,747,579	4,175,371
Portfolio investments balance as per PSA Standards	\$ 8,152,798	\$ 9,860,506
(b) Funds provided by the Province of Manitoba		
Province of Manitoba as per previous financial statements	\$ 86,754,677	\$ 94,200,217
Add: Pro-rata share of partnership losses	3,747,579	4,175,371
Funds provided by the Province of Manitoba as per PSA Standards	\$ 90,502,256	\$ 98,375,588
(c) Income - Pro-rata share of partnership income		March 31 2011
Pro-rata share of partnership income as per previous financial statements		\$ (427,609)
Add: Pro-rata share of partnership income		427,609
Pro-rata share of partnership income as per PSA Standards		\$ -
(d) Expenses - Pro-rata share of partnership income		March 31 2011
Pro-rata share of partnership income as per previous financial statements		\$ (427,609)
Add: Pro-rata share of partnership income		427,609
Pro-rata share of partnership income as per PSA Standards		\$ -

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

4. First-time Adoption of Public Sector Accounting Standards (continued)

	March 31 2011	April 1 2010
(e) Loans receivable		
Loans receivable as per previous financial statements	\$ 81,973,571	\$ 88,447,357
Add: Historical cost adjustment of US dollar loan receivable	-	1,496,624
Loans receivable as per PSA Standards	\$ 81,973,571	\$ 89,943,981

	March 31 2011	April 1 2010
(f) Funds provided by the Province of Manitoba		
Funds provided by the Province of Manitoba as per previous financial statements	\$ 90,502,256	\$ 98,375,588
Add: Historical cost adjustment of US dollar loan receivable	-	1,496,624
Funds provided by the Province of Manitoba as per PSA Standards	\$ 90,502,256	\$ 99,872,212

	March 31 2011
(g) Income - Foreign currency loss	
Pro-rata share of partnership income as per previous financial statements	\$ 1,382,008
Less: Adjustment to foreign exchange loss	21,679
Foreign currency loss as per PSA Standards	\$ 1,360,329

	March 31 2011
(h) Expenses - Foreign currency loss	
Pro-rata share of partnership income as per previous financial statements	\$ 1,382,008
Less: Adjustment to foreign exchange loss	21,679
Foreign currency loss as per PSA Standards	\$ 1,360,329

5. Temporary Investments

Temporary investments are comprised of marketable securities, and include term deposits, provincial bonds, and GIC's. Effective interest rates range from 1.5% to 5.5%. Maturity dates range from April 2012 to March 2016. Fair values are considered to approximate cost.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

6. Accounts Receivable

	2012	2011
Other	\$ 3,966	\$ -
Accrued Interest - PNPB	1,095,163	951,814
Accrued Interest - MDC Part I	57,301	54,405
	\$ 1,156,430	\$ 1,006,219

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

	2012	2011
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	\$ 96,644,007	\$ 88,939,892
Other loans receivable	18,081,630	11,777,792
	114,725,637	100,717,684
Allowance for doubtful accounts	(19,906,416)	(18,744,113)
	\$ 94,819,221	\$ 81,973,571

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

	2012	2011
2012	\$ -	\$ 5,422,260
2013	13,694,818	14,329,415
2014	10,027,300	9,176,756
2015	15,014,706	11,196,936
2016	11,654,040	8,134,934
2017	9,066,842	6,764,320
Subsequent to 2017	35,431,642	32,849,655
Accrued and capitalized interest	1,754,659	1,065,616
	96,644,007	88,939,892
Allowance	(14,694,471)	(18,266,642)
	\$ 81,949,536	\$ 70,673,250

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

7. Loans Receivable Managed for the Province of Manitoba Under Part II (continued)

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation, under the direction of the Province, may charge interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba, but this has not happened since 2003. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2012	2011
Greater than Nil, less than 5%	\$ 33,207,941	\$ 27,069,764
5% or greater, less than 6%	49,501,240	47,434,292
6% or greater, less than 7%	404,570	597,222
7% or greater, less than 8%	11,383,333	12,300,000
9% or greater, less than 10%	-	80,735
Royalty-based interest repayment	392,263	392,263
Accrued and capitalized interest	1,754,660	1,065,616
	96,644,007	88,939,892
Allowance	(14,694,471)	(18,266,642)
	\$ 81,949,536	\$ 70,673,250

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

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

8. Portfolio Investments Managed for the Province of Manitoba Under Part II

	2012	2011
Share capital investments		
Inspyre Solutions Inc. (formerly Faneuil ISG Inc.)	\$ -	\$ 1
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	2,985,075	2,859,639
CentreStone Vision Fund	3,254,118	2,911,049
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,824,126	1,806,113
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	4,875,000	4,875,000
	20,301,519	19,815,001
Vision Capital Fund	1	1
	20,301,520	19,815,003
Less:		
Allowance for decline in value of investments	(12,963,185)	(11,662,205)
	\$ 7,338,335	\$ 8,152,798

The preference shares of Inspyre Solutions Inc. (formerly Faneuil ISG Inc.) were sold during the year for \$1, resulting in no gain or loss occurring at the time of disposition. The investment in preference shares of Inspyre Solutions Inc. had been recorded in the books of the Corporation at a nominal value of \$1.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

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

	2012	2011
Gross Trust Liabilities	\$ 75,840,155	\$ 75,528,506

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

At March 31, 2012, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled \$71,538,187 (2011 - \$69,882,456) and with a chartered bank totaled \$4,301,968 (2011 - \$5,646,080). Interest earned on these deposits during the year and retained by the Corporation totaled \$2,419,417 (2011 - \$2,003,022). Actual deposits retained during the year amounted to \$3,200,295 (2011 - \$3,225,187) and are presented net of an allowance adjustment of \$75,026 (2011 - \$424,972). Net deposits retained are \$3,275,321 (2011 - \$2,800,215).

10. Accumulated Surplus

Accumulated surplus is made up of the following:

	PNP-B	MDC Part I	MDC Part II	Total 2012	Total 2011
Unrestricted surplus	\$ 14,201,921	\$ 4,801,649	\$ -	\$ 19,003,570	\$ 17,523,787
Restricted surplus	5,018,512	-	-	5,018,512	4,689,932
Share capital	-	1,000	-	1,000	1,000
	\$ 19,220,433	\$ 4,802,649	\$ -	\$ 24,023,082	\$ 22,214,719

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the years ended March 31, 2012 and March 31, 2011

11. Recovery of Program Administration Expenses

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

	2012	2011
Program participants - PNP-B	\$ 25,919	\$ 33,729

12. Commitments

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

	2012	2011
Manitoba Industrial Opportunities Program	\$ 7,987,867	\$ 21,127,734
Manitoba Science & Technology Fund	675,874	693,887
Canterbury Park Capital	5,766,849	5,893,119
CentreStone Venture Fund Limited	1,285,929	1,977,361
Manitoba Capital Fund	636,800	353,334
	\$ 16,353,319	\$ 30,045,435

13. Growing Through Immigration Strategy and Economic Development Support

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

	2012	2011
Entrepreneurship, Training and Trade	\$ 910,000	\$ 594,000
Immigration and Multiculturalism	1,649,000	1,293,000
	\$ 2,559,000	\$ 1,887,000

14. Related Party Transactions

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



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Auditor's Comments on Supplementary Financial Information

To the Shareholder of MANITOBA DEVELOPMENT CORPORATION

We have audited the financial statements of **MANITOBA DEVELOPMENT CORPORATION** which comprise the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and statements of operations and accumulated surplus, changes in net financial assets and cash flows for the years then ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 22, 2012 which contained an unmodified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The following supplementary schedule is presented for the purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

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

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 22, 2012

MANITOBA DEVELOPMENT CORPORATION
Schedule of Operations - PNP-B

For the years ended March 31	2012		2011
	Budget	Actual	Actual
Income			
Interest	\$ 2,656,204	\$ 2,419,417	\$ 2,003,022
Deposit Retentions	5,618,000	3,275,321	2,800,215
Recovery of Program Administration Expenses	33,300	25,919	33,729
	8,307,504	5,720,657	4,836,966
Expenses			
Program administration	2,511,800	1,399,893	1,294,545
Transfers to the Department of Immigration and Multiculturalism	2,871,000	1,649,000	1,293,000
Transfers to the Department of Entrepreneurship, Training and Trade	-	910,000	594,000
	5,382,800	3,958,893	3,181,545
Annual surplus	\$ 2,924,704	1,761,764	1,655,421
Accumulated surplus, beginning of year		17,458,669	15,803,248
Accumulated surplus, end of year		\$ 19,220,433	\$ 17,458,669

MANITOBA DEVELOPMENT CORPORATION
Schedule of Operations - Part I and Part II

For the years ended March 31

2012

2011

	Budget	MDC Part I	MDC Part II	Total	Total
Income					
Interest	\$ 8,906,000	\$ 149,093	\$ 4,502,081	\$ 4,651,174	\$ 4,637,350
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts	2,525,736	-	6,662,303	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	486,909	-	1,300,978	1,300,978	(130,857)
Foreign currency translation loss	-	-	-	-	1,360,329
	11,918,645	149,093	12,465,362	12,614,455	9,563,348
Expenses					
Program administration	96,000	97,929	-	97,929	98,866
Payment of Part II interest on loan receivable to the Province of Manitoba	8,810,000	-	4,506,646	4,506,646	4,374,597
Provision for doubtful accounts	2,525,736	-	6,662,303	6,662,303	3,696,526
Provision for decline in value of investments (recovery)	486,909	-	1,300,978	1,300,978	(130,857)
Foreign currency translation loss	-	-	-	-	1,360,329
	11,918,645	97,929	12,469,927	12,567,856	9,399,461
Annual surplus (deficit)	\$ -	51,164	(4,565)	46,599	163,887
Accumulated surplus , beginning of year		4,751,485	4,565	4,756,050	4,592,163
Accumulated surplus , end of year		\$ 4,802,649	\$ -	\$ 4,802,649	\$ 4,756,050

MANITOBA DEVELOPMENT CORPORATION Report of Assistance Granted or to be Granted

For the years ended March 31, 2012 and March 31, 2011

Under Part II of the Development Corporation Act, the following new assistance was authorized in the current fiscal year:

<u>Recipient</u>	<u>Term</u>	<u>Amount</u>
<u>Manitoba Industrial Opportunities Program</u>		
Superior Finishes Inc.	7 year repayable term loan	\$ 800,000
Medicure Inc.	60 month repayable term loan	\$ 5,000,000
<u>Other Under the Direction of the Province of Manitoba</u>		
Manitoba NetSet Ltd.	17 year repayable term loan	\$ 1,949,259