
**MANITOBA
DEVELOPMENT
CORPORATION**

**Annual Report
March 2013**



MANITOBA DEVELOPMENT CORPORATION

Financial Statements
March 31, 2013





**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, 2013.

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, 2013, 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

1040-259 Portage Avenue
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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. MDC requires approval of the Province of Manitoba to provide financial assistance, loans, guarantees or equity investments and must comply with all Provincial directives.

MANITOBA INDUSTRIAL OPPORTUNITIES PROGRAM

The Manitoba Industrial Opportunities Program 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 economic benefit (i.e. job creation). Most loan repayment terms are 60 to 84 months and repayment terms can be flexible. Favorable interest rates are available to businesses that undertake significant project investment, and/or create new jobs.

The nature and level of provincial support offered to a project is established by a detailed review of the proponent's business proposal, including a 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.

Program Performance and Trends:

From March 31, 2000 to March 31, 2013 the MIOP program approved 50 business expansion loans totaling \$244 million, which levered \$559 million in additional capital, for a total Manitoban investment of \$803 million, supporting approximately 8,935 Manitoba jobs. In 2012/13 MDC had \$5.5 million of new loans approved, which levered \$19.1 million in additional capital, for a total Manitoba investment of \$24.6 million.

Based on new loans approved	2010/11	2011/12	2012/13
Total Projected Manitoba Capital Spend resulting from newly Approved Loans	\$5.3	\$7.8	\$24.6
Incremental Projected Capital Spend resulting from newly Approved Loans	\$3.0	\$2.0	\$19.1
Jobs Created/ Maintained resulting from newly Approved Loans	28	50	70

As at March 31, 2013 the program has 20 active loans totaling \$84.2 million under management, with 4,604 Manitoba full time equivalent jobs required per the loan agreements and 4,212 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
Glacier LP	9,630,853
Intelligent Hospital Systems Inc	2,146,667
Magellan Aerospace Ltd	17,937,558
Medicure Inc	5,000,000
Monteris Medical Inc	1,628,891
Motor Coach Industries Ltd	6,800,000
Palliser Furniture Ltd.....	12,305,000
Premier Horticulture	1,833,333
Prendiville Corp.....	173,387
Superior Finishes Inc	800,000
Winnipeg Airport Authority	<u>18,671,549</u>
Subtotal.....	85,084,944
Net accrued and capitalized interest	<u>1,012,582</u>
Total.....	86,097,526

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.

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, 2013, the Investment Program has advanced \$23.4 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, 2013 are:

Canterbury Park Capital LLP.....	1,231,075
CentreStone Ventures Fund.....	3,308,262
Manitoba Science & Technology Fund.....	1,826,969
Western Life Science Venture Capital Fund LLP.....	<u>4,875,000</u>
Total.....	11,241,306

From its inception in 1996 to March 31, 2013, in aggregate the limited partnerships in the Investment Program have invested approximately \$174.3 million (2011/12 - \$172.7 million and 2010/11 - \$169.5 million) into 78 business entities, of which 67 were Manitoba companies. These are mature funds that are in divestiture mode and are no longer making investments.

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 or purchase a business or become partners in an existing business.

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

Program Objectives:

- Recruit immigrants who will contribute to the province's economy by living in Manitoba and investing in and operating a business in Manitoba.
- Recruit farmers to regional Manitoba to strengthen Manitoba's key agricultural sector.
- 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.
- Conduct seminars and attend conferences in various regions of the world to promote Manitoba's business and lifestyle advantages to potential business immigrants.

Program Performance and Trends:

PNP-B has recruitment mission activity in various countries in the world such as the United Kingdom, South Africa, Vietnam, China, etc, which increases awareness of Manitoba as an immigration destination for foreign business immigrants. This increased awareness results in highly qualified immigrant business people making application to the PNP-B.

Through the selection process and with the work of the Business Settlement Office, PNP-B provides opportunities for increased investment in value added businesses in Manitoba. PNP-B continues to foster increased injection of foreign capital into Manitoba's economy not only via an initial business investment but via on-going business and personal expenditures by applicant's of the program.

Continued establishment of new or purchases of existing businesses results in increased job creation possibilities. Succession opportunities for existing small businesses in Manitoba are enhanced by the program.

PNP-B has been successful in recruiting 103 farm business immigrants since program inception who have invested \$95,920,000 or an average of \$931,000 per farm investor. The Program notes that these farm business investments only record the initial investment and does not account for additional investments made after the farm business is started. The farm business immigrants that were able to successfully establish their intended farm business quickly and successfully demonstrated the necessary human, net worth, and practical farming skills and experiences that transfer directly to Manitoba's primary production farm industry.

The PNP-B monitors initial business investments by business immigrants under the program.

	2010/11	2011/12	2012/13	Since 2001
# of Initial Investments	68	77	91	575
Initial Investments (\$000)	\$13,561.1	\$22,960.4	\$20,985.2	\$208,823.4

**MANITOBA DEVELOPMENT
CORPORATION**

Financial Statements
For the year ended March 31, 2013

MANITOBA DEVELOPMENT CORPORATION

Financial Statements

For the year ended March 31, 2013

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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 27, 2013.

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 27, 2013



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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, 2013 and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended 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 Canadian Public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 27, 2013

MANITOBA DEVELOPMENT CORPORATION
Statement of Financial Position

March 31

2013

2012

	PNP-B	MDC Part I	MDC Part II	Total	Total
Financial Assets					
Cash and cash equivalents	\$ 13,306,646	\$ 797,425	\$ -	\$ 14,104,071	\$ 744,092
Cash held in trust	-	-	2,034,162	2,034,162	513,373
Accounts receivable (Note 5)	1,024,426	54,589	-	1,079,015	1,156,430
Loans receivable (Note 6)	-	-	83,725,620	83,725,620	94,819,221
Portfolio investments (Note 7)	20,506,843	4,442,481	3,707,768	28,657,092	32,556,210
Trust Funds (Note 8)	63,731,821	-	-	63,731,821	75,840,155
	98,569,736	5,294,495	89,467,550	193,331,781	205,629,481
Liabilities					
Accounts payable	2,158,190	423,545	460,000	3,041,735	3,095,315
Funds provided by the Province of Manitoba	-	-	89,007,550	89,007,550	102,670,929
Trust liabilities (Note 8)	63,731,821	-	-	63,731,821	75,840,155
	65,890,011	423,545	89,467,550	155,781,106	181,606,399
Net financial assets	32,679,725	4,870,950	-	37,550,675	24,023,082
Accumulated surplus (Note 9)	\$ 32,679,725	\$ 4,870,950	\$ -	\$ 37,550,675	\$ 24,023,082

Commitments (Note 11)

Approved on behalf of the Board:

_____ Director

_____ Director

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations and Accumulated Surplus

For the year ended March 31	2013	2013	2012
	Budget	Actual	Actual
Income			
Interest	\$ 10,245,000	\$ 6,947,750	\$ 7,070,591
Deposit retentions (Note 8)	7,466,700	14,626,059	3,275,321
Recovery of Program Administration Expenses (Note 10)	33,300	17,521	25,919
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba			
Provision for doubtful accounts	1,922,502	(232,272)	6,662,303
Provision for decline in value of investments	562,500	2,288,250	1,300,978
	20,230,002	23,647,308	18,335,112
Expenses			
Program administration	3,333,000	1,463,808	1,497,822
Payment of Part II interest on loan receivable to the Province of Manitoba	8,810,000	4,479,879	4,506,646
Provision for doubtful accounts	1,922,502	(232,272)	6,662,303
Provision for decline in value of investments	562,500	2,288,250	1,300,978
Foreign currency translation loss	-	2,050	-
	14,628,002	8,001,715	13,967,749
Transfers to the Department of Immigration and Multiculturalism (Note 12)	2,542,000	1,223,000	1,649,000
Transfers to the Department of Entrepreneurship, Training and Trade (Note 12)	1,558,000	895,000	910,000
	18,728,002	10,119,715	16,526,749
Annual surplus	1,502,000	13,527,593	1,808,363
Accumulated surplus, beginning of year	24,023,082	24,023,082	22,214,719
Accumulated surplus, end of year (Note 9)	\$ 25,525,082	\$ 37,550,675	\$ 24,023,082

MANITOBA DEVELOPMENT CORPORATION
Statement of Changes in Net Financial Assets

For the year ended March 31	2013	2012
Annual surplus	\$ 13,527,593	\$ 1,808,363
Net financial assets, beginning of year	24,023,082	22,214,719
Net financial assets, end of year	\$ 37,550,675	\$ 24,023,082

MANITOBA DEVELOPMENT CORPORATION

Statement of Cash Flows

For the year ended March 31	2013	2012
Cash provided by (applied to):		
Operating		
Annual surplus	\$ 13,527,593	\$ 1,808,363
Adjustments for:		
Provision for doubtful accounts (recovery)	(232,272)	6,662,303
Provision for decline in value of investments	2,288,250	1,300,978
Provision for deposit retentions	(14,626,059)	(3,275,321)
Reimbursement of Part II expenses to the Province of Manitoba	(2,055,978)	(7,963,281)
	(1,098,466)	(1,466,958)
Changes in:		
Accounts receivable	77,415	(150,211)
Accounts payable	(53,581)	742,243
	23,834	592,032
Cash applied to operating activities	(1,074,632)	(874,926)
Investing		
Loans Receivable		
Principal repayments	15,662,189	7,092,760
Loans issued	(3,808,338)	(27,010,917)
Change in accrued interest receivable	111,278	(170,563)
Capitalized interest written-off	1,437,848	580,766
Portfolio investments made	(1,325,600)	(2,434,616)
Provincial Nominee Program for Business Trust Funds	8,486,129	(1,655,761)
Cash provided by (applied to) investing activities	20,563,506	(23,598,331)
Financing		
Funds provided by the Province of Manitoba		
Part II	(11,607,401)	20,136,522
Provincial Nominee Program for Business	2,517,725	3,586,968
Cash provided by (applied to) financing activities	(9,089,676)	23,723,490
Net increase (decrease) in cash and cash equivalents	10,399,198	(749,767)
Cash and cash equivalents, beginning of year	6,418,797	7,168,564
Cash and cash equivalents, end of year	\$ 16,817,995	\$ 6,418,797
Represented by:		
Cash and cash equivalents	\$ 14,104,071	\$ 1,603,456
Cash held in trust	2,034,162	513,373
Cash held in trust included in Trust Funds	679,762	4,301,968
	\$ 16,817,995	\$ 6,418,797

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

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, 2013, 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.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies

a) Revenue

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Income from investments and loans receivable is recorded when earned.

b) 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 PNP-B

The corporation's investment in provincial bonds are accounted for using amortized cost. Any discount or premium arising on purchase is amortized over the period to maturity.

Under Part I

The corporation's investment in GIC's are recognized at cost.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

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 Science and Technology 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.

c) 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.

d) 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.

e) 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.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

f) 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.

g) 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.

h) 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. Financial Instruments and Financial Risk Management

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The corporation records its financial assets and liabilities at cost, which include cash and cash equivalents, accounts receivable, loans receivable and portfolio investments. The corporation also records its financial liabilities at cost, which include accounts payable and funds provided by the province of Manitoba.

Financial Risk Management Overview

The corporation has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

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

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

	2013	2012
Cash and cash equivalents	\$ 16,817,995	\$ 5,559,433
Accounts receivable	1,079,015	1,156,430
Loans receivable	83,725,620	94,819,221
Portfolio investments	28,657,092	32,556,210
Trust funds	63,052,059	71,538,187
	\$193,331,781	\$205,629,481

Cash, cash equivalents and trust funds: The corporation is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable, loans receivable and portfolio investments: The corporation establishes an allowance that represents its estimate of potentially uncollectible loans and recoverable portfolio investments. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that the allowance required for loans receivable as at March 31, 2013 is 19,784,402 (19,906,416 in 2012).

Management has determined that the allowance required for portfolio investments as at March 31, 2013 is 7,533,539 (12,963,185 in 2012).

Liquidity Risk

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

The corporation manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the corporation's income or the fair values of its financial instruments. The significant market risk the corporation is exposed to is interest rate risk.

Interest Rate Risk

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. The interest rate exposure relates to funds on deposit.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts Receivable

	<u>2013</u>	<u>2012</u>
Other	\$ 5,960	\$ 3,966
Accrued Interest - PNPB	1,018,466	1,095,163
Accrued Interest - MDC Part I	<u>54,589</u>	<u>57,301</u>
	<u>\$ 1,079,015</u>	<u>\$ 1,156,430</u>

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

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

	2013	2012
Business Support		
Manitoba Industrial Opportunities Program - Repayable	\$ 85,189,918	\$ 96,644,007
Other loans receivable	18,320,164	18,081,630
	103,510,082	114,725,637
Allowance for doubtful accounts	(19,784,462)	(19,906,416)
	\$ 83,725,620	\$ 94,819,221

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

	2013	2012
2013	\$ -	\$ 13,625,503
2014	14,579,322	9,860,945
2015	11,090,422	14,848,350
2016	11,931,148	12,056,066
2017	9,254,193	9,066,842
2018	6,384,550	7,241,245
Subsequent to 2018	30,937,701	28,190,397
Accrued and capitalized interest	1,012,582	1,754,659
	85,189,918	96,644,007
Allowance	(14,222,518)	(14,694,471)
	\$ 70,967,400	\$ 81,949,536

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.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

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

Interest rates charged on loans are as follows:

	2013	2012
Greater than Nil, less than 5%	\$ 31,724,608	\$ 33,207,941
5% or greater, less than 6%	49,740,411	49,501,240
6% or greater, less than 7%	173,387	404,570
7% or greater, less than 8%	2,146,667	11,383,333
Royalty-based interest repayment	392,263	392,263
Accrued and capitalized interest	1,012,582	1,754,660
	85,189,918	96,644,007
Allowance	(14,222,518)	(14,694,471)
	\$ 70,967,400	\$ 81,949,536

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 year ended March 31, 2013

7. Portfolio Investments

Managed for the Province of Manitoba Under PNP-B

At March 31, 2013, portfolio investments under the Provincial Nominee Program for Business are invested with the Province of Manitoba totaled \$20,506,843 (\$20,809,096 in 2012). These investments are comprised of provincial bonds. Effective interest rates range from 3.25% to 5.50%. Maturity dates range from September 2014 to December 2014. Interest earned on these portfolio investments during the year totaled \$987,500 (\$987,500 in 2012). Amortization of bond premiums during the year amounted to \$302,253 (\$121,535 in 2012).

Managed for the Province of Manitoba Under Part I

At March 31, 2013, portfolio investments under Part I are comprised of GIC's. Effective interest rates range from 1.55% to 3.01%. Maturity dates range from June 2013 to September 2015. Fair values are considered to approximate cost. Investments in GIC's totaled \$4,442,481 (\$4,408,779 in 2012). Interest earned on these portfolio investments during the year totaled \$125,537 (\$127,815 in 2012).

Managed for the Province of Manitoba Under Part II

	2013	2012
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	\$ 1,231,075	\$ 2,985,075
CentreStone Vision Fund	3,308,262	3,254,118
Manitoba Capital Fund	-	4,363,200
Manitoba Science and Technology Fund	1,826,969	1,824,126
Renaissance Capital Fund	-	3,000,000
Western Life Sciences Venture Fund LLP	4,875,000	4,875,000
	11,241,306	20,301,519
Vision Capital Fund	1	1
	11,241,307	20,301,520
Less allowance for decline in value of investments	(7,533,539)	(12,963,185)
Part II	3,707,768	7,338,335
PNP-B	20,506,843	20,809,096
Part I	4,442,481	4,408,779
	\$ 28,657,092	\$ 32,556,210

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

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

	2013	2012
Gross Trust Liabilities	\$ 63,731,821	\$ 75,840,155

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, 2013, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled \$63,052,058 (\$71,538,187 in 2012) and with a chartered bank totaled \$679,762 (\$4,301,968 in 2012). Interest earned on these deposits during the year and retained by the corporation totaled \$2,323,863 (\$2,419,417 in 2012). Actual deposits retained during the year amounted to \$14,776,059 (\$3,350,347 in 2012) and are presented net of an allowance adjustment of \$150,000 (\$75,026 in 2012). Net deposits retained are \$14,626,059 (\$3,275,321 in 2012).

9. Accumulated Surplus

Accumulated surplus is made up of the following:

	PNP-B	MDC Part I	MDC Part II	2013	2012
Unrestricted surplus	\$ 24,815,258	\$ 4,869,950	\$ -	\$ 29,685,208	\$ 19,003,570
Restricted surplus	7,864,467	-	-	7,864,467	5,018,512
Share capital	-	1,000	-	1,000	1,000
	\$ 32,679,725	\$ 4,870,950	\$ -	\$ 37,550,675	\$ 24,023,082

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

10. 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.

	2013	2012
Program participants - PNP-B	\$ 17,521	\$ 25,919

11. Commitments

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

	2013	2012
Manitoba Industrial Opportunities Program	\$ 7,204,474	\$ 7,987,867
Manitoba Science & Technology Fund	681,631	675,874
Canterbury Park Capital	5,725,849	5,766,849
CentreStone Venture Fund Limited	1,481,785	1,285,929
Manitoba Capital Fund	-	636,800
	\$ 15,093,739	\$ 16,353,319

12. 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:

	2013	2012
Entrepreneurship, Training and Trade	\$ 895,000	\$ 910,000
Immigration and Multiculturalism	1,223,000	1,649,000
	\$ 2,118,000	\$ 2,559,000

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

13. 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.

14. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's presentation. Annual surplus for the year remain as previously reported.



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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, 2013 and statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, and have issued a report thereon dated June 27, 2013 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

Chartered Accountants

Winnipeg, Manitoba
June 27, 2013

MANITOBA DEVELOPMENT CORPORATION
Schedule of Operations - PNP-B

For the year ended March 31	2013	2013	2012
	Budget	Actual	Actual
Income			
Interest	\$ 1,339,000	\$ 2,323,863	\$ 2,419,417
Deposit Retentions	7,466,700	14,626,059	3,275,321
Recovery of Program Administration Expenses	33,300	17,521	25,919
	8,839,000	16,967,443	5,720,657
Expenses			
Program administration	3,237,000	1,390,151	1,399,893
Transfers to the Department of Immigration and Multiculturalism	2,542,000	1,223,000	1,649,000
Transfers to the Department of Entrepreneurship, Training and Trade	1,350,000	895,000	910,000
Transfers to the Department of Advanced Education and Literacy	208,000	-	-
	7,337,000	3,508,151	3,958,893
Annual surplus	\$ 1,502,000	13,459,292	1,761,764
Accumulated surplus, beginning of year		19,220,433	17,458,669
Accumulated surplus, end of year		\$ 32,679,725	\$ 19,220,433

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

For the year ended March 31				2013	2012
	Budget	MDC Part I	MDC Part II	Total	Total
Income					
Interest	\$ 8,906,000	\$ 144,008	\$ 4,479,879	\$ 4,623,887	\$ 4,651,174
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts (recovery)	1,922,502	-	(232,272)	(232,272)	6,662,303
Provision for decline in value of investments	562,500	-	2,288,250	2,288,250	1,300,978
	11,391,002	144,008	6,535,857	6,679,865	12,614,455
Expenses					
Program administration	96,000	73,657	-	73,657	97,929
Payment of Part II interest on loan receivable to the Province of Manitoba	8,810,000	-	4,479,879	4,479,879	4,506,646
Provision for doubtful accounts (recovery)	1,922,502	-	(232,272)	(232,272)	6,662,303
Provision for decline in value of investments	562,500	-	2,288,250	2,288,250	1,300,978
Foreign currency translation loss	-	2,050	-	2,050	-
	11,391,002	75,707	6,535,857	6,611,564	12,567,856
Annual surplus	\$ -	68,301	-	68,301	46,599
Accumulated surplus , beginning of year		4,802,649	-	4,802,649	4,756,050
Accumulated surplus , end of year		\$ 4,870,950	\$ -	\$ 4,870,950	\$ 4,802,649

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

For the year ended March 31, 2013

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

MIOP	Term	Amount
Glacier L.P. Phase 2	12 year repayable term loan	\$ 2,500,000
Plains Processing Ltd.	10 year repayable term loan	\$ 3,000,000

Other Under the Direction of the Province of Manitoba	Term	Amount
Lakeview Management Inc.	10 year repayable term loan	\$ 750,000