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**MANITOBA  
DEVELOPMENT  
CORPORATION**

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**Annual Report  
March 2019**

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**MINISTER  
OF GROWTH, ENTERPRISE AND TRADE**

Legislative Building  
Winnipeg, Manitoba CANADA  
R3C 0V8

Her Honour The Honourable Janice C. Filmon C.M., O.M.  
Lieutenant Governor of Manitoba  
Room 235 Legislative Building  
450 Broadway  
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, 2019.

Respectfully submitted,

A handwritten signature in black ink, reading 'Blaine Pedersen'.

Blaine Pedersen  
Minister





**Growth, Enterprise and Trade**

Manitoba Development Corporation  
1010-259 Portage Ave., Winnipeg, Manitoba, Canada R3B 3P4  
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www.manitoba.ca

Honourable Blaine Pedersen  
Minister of Growth, Enterprise and Trade  
Room 358 Legislative Building  
Winnipeg MB R3C 0V8

Dear Minister Pedersen:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2019, as required by Section 18 of The Manitoba Development Corporation Act.

Respectfully submitted,

Dave Dyson  
Deputy Minister



# MANITOBA DEVELOPMENT CORPORATION

## CORPORATE REPORT

### CORPORATE PROFILE

#### DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Blaine Pedersen

Board of Directors:

Chair:	Dave Dyson
Vice-Chair	Melissa Ballantyne
Director:	Grant Doak
General Manager:	Amy Jordan

#### HEAD OFFICE

1010-259 Portage Avenue  
Winnipeg, Manitoba R3B 3P4  
Telephone: (204) 945-2770

#### PROFILE

The Manitoba Development Corporation (MDC) administers programs, provides loans, guarantees and investments under the *Manitoba Development Corporation Act*. The objectives of MDC are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives.

There are three divisions administered by MDC: Business Support, the Business Investor Stream of the Provincial Nominee Program (PNP-B) and Manitoba Trade and Investment (MTI).

Business Support administers the Manitoba Industrial Opportunities Program (MIOP), the Third-Party Investment Funds Program and other financial assistance. PNP-B includes the funds associated with the Manitoba Provincial Nominee Program (MPNP) business stream for international entrepreneurs who wish to establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium-sized enterprises to promote Manitoba as a destination for foreign direct investment.

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 to provide loans, guarantees or equity investments and must comply with all Provincial directives.



## BUSINESS SUPPORT:

***Manitoba Industrial Opportunities Program (MIOP)*** provides financial support to assist businesses expanding their operations in Manitoba. The financial support is in the form of repayable, secured loans with repayment terms that can be somewhat flexible for businesses that undertake significant investment in fixed assets and/or create new jobs. The loans are usually in excess of \$500,000. Most loan repayment terms are 60 to 84 months. Loan interest rates are charged at the crown rate or at the crown rate plus a premium.

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 cost/benefit analysis and risk appraisal.

All loans receive Treasury Board approval and an Order in Council authorizing the loan.

### **Program Clients:**

MIOP clients are companies with significant operations in Manitoba or companies wishing to establish operations in Manitoba.

### **Program Objectives:**

The objective of MIOP 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 MIOP supports projects that increase the number of jobs created in Manitoba; in other cases MIOP supports projects that increase the number of jobs maintained in Manitoba.

### **Program Performance and Trends:**

From March 31, 2000 to March 31, 2019 MIOP approved 53 business expansion loans totaling \$276 million, which is projected to lever \$640 million in additional capital, for a total Manitoba investment of \$916 million, supporting approximately 11,297 Manitoba jobs.

As at March 31, 2019, the program has 10 active loans to 8 companies totaling \$50 million under management, with 1,528 Manitoba full time equivalent jobs required per the loan agreements and 1,456 Manitoba full time equivalent jobs maintained.

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

Color Ad Packaging (3759326 Canada Ltd.) .....	208,676
C.P. Loewen Enterprises Ltd. ....	11,345,625
Glacier L.P. ....	4,884,615
HD-Petroleum Inc. ....	3,067,708
Magellan Aerospace Ltd. ....	10,990,000
Sightline Innovation Inc. ....	2,000,000
True North Foods (6381023 Manitoba Ltd.) .....	2,735,000
Winnipeg Airport Authority Inc. ....	<u>14,634,458</u>
Subtotal .....	49,866,082
Net accrued and capitalized interest .....	<u>501,981</u>
Total .....	<u>50,368,063</u>



**Third-Party Investment Funds Program** provides equity 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 two remaining funds under this program are in divestiture mode and are no longer making investments.

**Program Objectives:**

- To create pools of equity capital that are managed in Manitoba and available to be invested in Manitoba businesses.
- To create jobs within Manitoba.
- To increase the flow of equity capital to Manitoba businesses.
- To 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, 2019, the Investment Program has advanced \$23.6 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, 2019 are:

CentreStone Ventures Fund .....	3,408,522
Manitoba Science & Technology Fund.....	<u>1,832,233</u>
Total .....	5,240,755

From its inception in 1996 to March 31, 2019, in aggregate, the limited partnerships in the Third Party Investment Funds Program have invested approximately \$174.3 million into 78 business entities, of which 67 were Manitoba companies.

## **MANITOBA PROVINCIAL NOMINEE PROGRAM**

The Province of Manitoba and Government of Canada share responsibilities regarding business people immigrating to Canada through the Manitoba Provincial Nominee Program (MPNP). The MPNP 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. 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 through the Farm Investor Pathway to rural Manitoba to strengthen Manitoba's key agricultural sector.

### **Program Performance and Trends:**

On February 4, 2015, the Business Expression of Interest (EOI) online system was opened to the public. Under this process, potential applicants have the opportunity to submit an EOI as an indication of a desire to submit an application. All submissions are placed in an EOI pool and are assessed based on a point system using an Adaptability Assessment Matrix.

In November 2017, the MPNP announced changes to its Business Entrepreneur Pathway (BEP) under the Investor Stream. The BEP allows Manitoba to recruit and nominate qualified business investors and entrepreneurs who have the intent and ability to start or purchase businesses in Manitoba within the first 24 months of arrival in Canada on a temporary work permit. Applicants no longer submit a deposit of \$100,000. Instead, they sign a Business Performance Agreement, which details the obligations candidates must fulfill in order to be nominated for Permanent Residence in Canada. Once those conditions are met, candidates receive Nomination that allows them to apply for Permanent Resident status to Immigration, Refugees and Citizenship Canada. The new criteria and process was launched in May 2018.

MPNP has been successful in recruiting 131 farm business immigrants who have invested over \$122 million. The Program notes that the farm business investments recorded only include the initial investment. It 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 demonstrated the necessary net worth and practical farming skills and experiences that transfer directly to Manitoba's primary production farm industry. The Farm Investor Pathway (FIP) remains a Direct Nomination immigration model at this time. The Direct Nomination model requires an approved applicant to sign a Deposit Agreement and submit a \$75,000 cash deposit prior to receiving nomination. Once the deposit and deposit agreement has been received, the applicant is nominated and can apply for Permanent Residence. Upon the establishment of the farm business, the applicant can apply to the MPNP for deposit refund.

The MPNP monitors initial business investments by business immigrants under the program. In 2018/19, the program measured 40 initial business investments totaling \$12.5 million by applicants which created or maintained 150 jobs. Since inception in 2001, 981 initial business investments have been made with an investment in excess of \$331 million.

## **MANITOBA TRADE AND INVESTMENT**

Manitoba Trade and Investment assists Manitoba small and medium-sized enterprises (SMEs) to become first-time exporters entering new markets and active exporters diversifying into domestic and international markets. Manitoba Trade and Investment promotes Manitoba as a destination for foreign direct investment to increase inbound investment and employment.

Manitoba Trade and Investment also manages Manitoba's internal and international trade agreements and negotiations, including oversight of domestic and international trade disputes.

### **Program Objectives:**

As an administrative mechanism, Manitoba Development Corporation supports Manitoba Trade and Investment in the facilitation of cost-sharing partnerships for specific projects and provides administrative support for missions by collecting revenues and paying related expenditures.





Financial Statements of

**MANITOBA DEVELOPMENT  
CORPORATION**

Year ended March 31, 2019

# MANITOBA DEVELOPMENT CORPORATION

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## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements of Manitoba Development Corporation are the responsibility of the management and have been prepared in accordance with Canadian 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 September 11, 2019.

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 presented in accordance with Canadian public sector accounting standards. The Independent Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Manitoba Development Corporation

  
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Amy Jordan, General Manager

September 11, 2019





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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Manitoba Development Corporation

### **Opinion**

We have audited the financial statements of Manitoba Development Corporation (the Entity), which comprise the statement of financial position as at March 31, 2019, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

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

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Other Information**

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for any indications that the other information appears to be materially misstated.



We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants

Winnipeg, Canada

September 11, 2019



# MANITOBA DEVELOPMENT CORPORATION

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

	PNP-B	Business support	MTI	2019 Total	2018 Total
<b>Assets</b>					
Cash and cash equivalents	\$ 53,787,035	\$ 4,929,211	\$ 475,353	\$ 59,191,599	\$ 51,035,623
Accounts receivable (note 3)	161,490	17,545	2,481	181,516	774,300
Loans receivable (note 4)	-	41,908,896	-	41,908,896	48,802,385
Portfolio investments (note 5)	4,049,832	1,000,000	500,000	5,549,832	12,887,780
Restricted funds (note 8)	70,546,805	-	-	70,546,805	71,793,101
Prepaid expenses	-	-	-	-	6,032
	<u>\$ 128,545,162</u>	<u>\$ 47,855,652</u>	<u>\$ 977,834</u>	<u>\$ 177,378,648</u>	<u>\$ 185,299,221</u>
<b>Liabilities and Surplus</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,183,042	\$ 407,958	\$ 3,929	\$ 4,594,929	\$ 4,952,523
Deferred revenue (note 6)	-	316,146	-	316,146	330,146
Operating advance payable (note 7)	-	-	500,000	500,000	500,000
Funds provided by the Province of Manitoba	-	41,908,896	-	41,908,896	48,802,385
Deposits payable (note 8)	70,546,805	-	-	70,546,805	71,793,101
	<u>74,729,847</u>	<u>42,633,000</u>	<u>503,929</u>	<u>117,866,776</u>	<u>126,378,155</u>
Accumulated surplus (note 9)	53,815,315	5,222,652	473,905	59,511,872	58,921,066
Contingencies (note 10)					
Commitments (note 11)					
	<u>\$ 128,545,162</u>	<u>\$ 47,855,652</u>	<u>\$ 977,834</u>	<u>\$ 177,378,648</u>	<u>\$ 185,299,221</u>

The accompanying notes form an integral part of these financial statements.

On behalf of the Board:

Director

Director

# MANITOBA DEVELOPMENT CORPORATION

## Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget	2019	2018
<b>Income:</b>			
Income from portfolio investments	\$ 218,247	\$ 361,048	\$ 383,172
Interest income	5,854,941	4,428,609	3,580,066
Deposit retentions (note 8)	7,750,000	4,951,100	8,426,675
Application processing fees (note 8)	1,250,000	74,890	698,432
Participation fees	170,000	31,325	512,946
Project revenue	—	—	8,437
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,322,792)	(815,792)
Provision for (reversal of) loan guarantees	—	—	(500,000)
	<u>16,630,344</u>	<u>8,524,180</u>	<u>12,293,936</u>
<b>Expenses:</b>			
Program administration	2,142,329	1,170,383	1,920,639
Payment of Business Support interest on loans receivable to the Province of Manitoba	5,150,706	2,757,783	2,553,328
Project costs	—	—	8,437
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,322,792)	(815,792)
Provision for (reversal of) loan guarantees	—	—	(500,000)
	<u>8,680,191</u>	<u>2,605,374</u>	<u>3,166,612</u>
Transfers to the Department of Education and Training (note 12)	4,848,000	3,578,000	3,996,000
Transfers to the Department of Growth, Enterprise and Trade (note 12)	2,832,000	1,750,000	1,750,000
	<u>16,360,191</u>	<u>7,933,374</u>	<u>8,912,612</u>
Annual surplus	270,153	590,806	3,381,324
Accumulated surplus, beginning of year		58,921,066	55,539,742
Accumulated surplus, end of year		<u>\$ 59,511,872</u>	<u>\$ 58,921,066</u>

The accompanying notes form an integral part of these financial statements.

**MANITOBA DEVELOPMENT CORPORATION**

## Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 590,806	\$ 3,381,324
Net financial assets, beginning of year	58,921,066	55,539,742
<b>Net financial assets, end of year</b>	<b>\$ 59,511,872</b>	<b>\$ 58,921,066</b>

The accompanying notes form an integral part of these financial statements.

# MANITOBA DEVELOPMENT CORPORATION

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 590,806	\$ 3,381,324
Adjustments for:		
Provision for (reversal of) doubtful loans receivable	(1,322,792)	(815,792)
Provision for (reversal of) loan guarantees	—	(500,000)
Deposit retentions	(4,951,100)	(8,426,675)
Amortization of bond premiums	100,112	180,635
Capitalized interest	192,858	(9,398)
Recovery (reimbursement) of Business Support expenses to the Province of Manitoba	1,322,792	1,315,792
Change in non-cash operating working capital:		
Restricted funds	1,234,132	(8,131,287)
Accounts receivable	592,784	(496,611)
Loan interest receivable	(35,482)	(21,570)
Prepaid expenses	6,032	231,798
Accounts payable and accrued liabilities	(357,593)	(268,613)
Deferred revenue	(14,000)	(10,937)
Net change in deposits payable	3,704,804	16,547,124
Net cash provided by operating activities	1,063,353	2,975,790
Investing activities:		
Loans receivable principal repayments	8,058,905	8,919,953
Issuance of loans receivable	—	(2,493,000)
Purchase of portfolio investments	(1,500,000)	(4,750,000)
Redemption of portfolio investments	8,750,000	8,748,675
Net cash provided by investing activities	15,308,905	10,425,628
Financing activities:		
Funds provided by (paid to) the Province of Manitoba for Business Support	(8,216,282)	(6,395,985)
Increase in cash and cash equivalents	8,155,976	7,005,433
Cash and cash equivalents, beginning of year	51,035,623	44,030,190
Cash and cash equivalents, end of year	\$ 59,191,599	\$ 51,035,623
Cash and cash equivalents consists of the following:		
Cash	\$ 18,410,915	\$ 13,481,917
Cash equivalents	40,780,684	37,553,706
	\$ 59,191,599	\$ 51,035,623
Supplementary information:		
Cash paid for interest	\$ 2,757,783	\$ 2,553,328
Cash received for interest	5,052,449	4,079,847

The accompanying notes form an integral part of these financial statements.



# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 2019

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## 1. Nature of operations and economic dependence:

The Manitoba Development Corporation (the "Corporation") provides loans, guarantees and investments under the *Manitoba Development Corporation Act*. The objectives of the Corporation are to provide financial services and financial instruments on behalf of the Province of Manitoba to assist with economic development initiatives. There are three divisions administered by the Corporation: Business Support, the Business Investor Stream of the Provincial Nominee Program (PNP-B) and Manitoba Trade and Investment (MTI). Business Support administers the Manitoba Industrial Opportunities Program (MIOP), the Third-Party Investment Funds Program (Investment Program) and other financial assistance (Other Loans). The PNP-B is a program for international entrepreneurs who wish to immigrate and establish a business in Manitoba. MTI delivers targeted programs and services to Manitoba small and medium sized enterprises to promote Manitoba as a destination for foreign direct investment.

The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for the financial assets due to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets. Losses are the responsibility of the Province and are charged directly against advances received from the Province.

The Corporation considers its capital to comprise its accumulated surplus (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 retained earnings over its history, which is included in accumulated surplus in the statement of financial position. A portion of these 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 accumulated surplus for the year to be equal to three years' operating expenses of the PNP-B (based on the most recent year's actual expenses) plus 25 percent of the previous year's PNP-B deposit retentions. This is a reserve which is not available for distribution to the Province. Any excess beyond that amount, once it has been released by the Province, would then be transferred to unrestricted accumulated surplus. For the year ended March 31, 2019, the Corporation has complied with these restrictions.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 2. Significant accounting policies:

The Corporation's financial statements have been prepared by management in accordance with Canadian public sector accounting standards as defined by the Chartered Professional Accountants of Canada.

### (a) Revenue recognition:

Income from deposit retentions is recognized when depositors fail to meet their agreement terms thereby forfeiting their deposits. Income from application processing fees is recognized as applications are processed. Interest income from portfolio investments and loans receivable is recognized on an accrual basis in the fiscal period in which it is earned.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with the Province of Manitoba and banks with maturities of three months or less.

### (c) Financial instruments:

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 2. Significant accounting policies (continued):

### (d) Loans receivable under Business Support:

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans receivable to their estimated realizable amounts. Estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans and estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan is classified as impaired, accrual of interest on the loan ceases.

Provisions are established for individual loans for which the estimated realizable amount is less than the carrying value. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans receivable as an adjustment of the provision.

### (e) Portfolio investments:

Portfolio investments consist of provincial bonds, term deposits, guaranteed investment certificates (GICs) and equity investments.

The Corporation's investments in provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. The Corporation's investments in GICs and term deposits are recorded at cost.

The Corporation's equity investments related to share capital investments are recorded at cost. The Corporation's investment in the CentreStone Ventures Limited Partnership and Manitoba Science and Technology Fund are accounted for using the cost method of accounting.

When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of investments.



# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 2. Significant accounting policies (continued):

### (f) Restricted funds:

Restricted funds are deposits held under the PNP-B (note 8) and consist of balances with banks, provincial bonds and term deposits with maturities of three months or less held with the Province of Manitoba. The provincial bonds are recorded at amortized cost. Discounts and premiums arising on the purchase of these bonds are amortized over the term of the bond to maturity. Term deposits are recorded at cost.

### (g) Deferred revenue:

Deferred revenue represents funds received for specific projects for which expenditures will be incurred in future periods as well as fees received in advance of event days for specific trade projects.

### (h) Government transfers:

Government transfers are recognized as expenses in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

### (i) Guarantees:

Manitoba Development Corporation in the normal course of business, may provide a guarantee to honour repayment of debt or loans of an organization.

Guarantees by Manitoba Development Corporation are made through specific agreements to repay promissory notes, banks loans, lines of credit, mortgages and other securities. The provision for losses on guaranteed loans is determined by a review of individual guarantees. A provision for losses on these guarantees is recorded when it is likely that a loss will occur. The amount of the loss provision represents management's best estimate of probable claims against the guarantees.

### (j) 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.

**MANITOBA DEVELOPMENT CORPORATION**

Notes to Financial Statements (continued)

Year ended March 31, 2019

**2. Significant accounting policies (continued):**

## (k) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the period. Significant items subject to estimates and assumptions include the carrying amount of loans receivable and portfolio investments and provisions for losses on loan guarantees. Actual results could differ from those estimates.

**3. Accounts receivable:**

	2019	2018
Accrued interest:		
PNP-B	\$ 161,490	\$ 320,668
Business support	17,545	21,047
Other receivables	2,481	432,585
	<u>\$ 181,516</u>	<u>\$ 774,300</u>

**4. Loans receivable managed for the Province of Manitoba:**

	2019	2018
Business support:		
Manitoba Industrial Opportunities Program - repayable	\$ 50,335,595	\$ 57,625,255
Other loans receivable	8,092,382	9,019,003
	<u>58,427,977</u>	<u>66,644,258</u>
Provision for doubtful loans receivable	(16,519,081)	(17,841,873)
	<u>\$ 41,908,896</u>	<u>\$ 48,802,385</u>

**MANITOBA DEVELOPMENT CORPORATION**

Notes to Financial Statements (continued)

Year ended March 31, 2019

**4. Loans receivable managed for the Province of Manitoba (continued):**

The Manitoba Industrial Opportunities Program (MIOP) provides repayable, secured loans for businesses that undertake significant investment in fixed assets and/or create jobs. Loan principal is due as follows:

	2019
2020	\$ 5,664,428
2021	5,455,751
2022	5,855,751
2023	5,855,751
2024	5,855,751
Subsequent to 2024	21,178,650
Accrued and capitalized interest	501,981
	<u>50,368,063</u>
Provision for doubtful loans receivable	(15,769,081)
	<u>\$ 34,598,982</u>

Interest rates charged for Manitoba Industrial Opportunities Program 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:

	2019	2018
Greater than nil, less than 5%	\$ 27,612,009	\$ 32,886,416
5% or greater, less than 6%	22,254,073	24,117,743
Accrued and capitalized interest	501,981	621,096
	<u>50,368,063</u>	<u>57,625,255</u>
Provision for doubtful loans receivable	(15,769,081)	(17,091,873)
	<u>\$ 34,598,982</u>	<u>\$ 40,533,382</u>

**MANITOBA DEVELOPMENT CORPORATION**

Notes to Financial Statements (continued)

Year ended March 31, 2019

**4. Loans receivable managed for the Province of Manitoba (continued):**

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

At March 31, 2019, other loans receivable include non-interest bearing loans in the amount of \$5,599,382 and an interest bearing loan in the amount of \$2,493,000 bearing interest at 5.30 percent (2018 - non-interest bearing loans in the amount of \$6,526,003 and an interest bearing loan in the amount of \$2,493,000 bearing interest at 5.30 percent) and maturities ranging from no fixed terms of repayment to December 2022 (2018 - ranging from no fixed terms of repayment to December 2022). At March 31, 2019, the provision for doubtful loans receivable for these loans is \$750,000 (2018 - \$750,000).

**5. Portfolio investments:**

Portfolio investments are comprised of the following:

	2019	2018
Provincial bonds	\$ 4,049,832	\$ 8,137,780
Term deposits	1,500,000	4,750,000
Equity investments	-	-
	<b>\$ 5,549,832</b>	<b>\$ 12,887,780</b>

The provincial bonds, which are included in PNP-B, bear interest at 4.15 percent (2018 - ranging from 2.40 percent to 4.15 percent) and mature November 2019 (2018 - between December 2018 and November 2019). Interest earned on provincial bonds for the year ended March 31, 2019 totaled \$194,454 (2018 - \$374,941). Amortization of bond premiums for the year ended March 31, 2019 totaled \$87,948 (2018 - \$169,797). Fair value of the provincial bonds at March 31, 2019 is \$4,060,240 (2018 - \$8,165,600).

The term deposits, which are included in Business Support and MTI, bear interest 1.83 percent to 2.19 percent (2018 - interest rates ranging from 1.62 percent to 1.93 percent) and mature between May 2019 and June 2019 (2018 - May 2018 and March 2019). Fair values approximate cost. Interest earned on term deposits for the year ended March 31, 2019 totaled \$123,209 (2018 - \$83,182).



**MANITOBA DEVELOPMENT CORPORATION**

Notes to Financial Statements (continued)

Year ended March 31, 2019

**5. Portfolio investments (continued):**

Equity investments managed for the Province of Manitoba included in Business Support consist of the following:

	2019	2018
CentreStone Ventures Limited Partnership	\$ 3,408,522	\$ 3,408,522
Manitoba Science and Technology Fund	1,832,233	1,832,233
	5,240,755	5,240,755
Provision for decline in value of investments	(5,240,755)	(5,240,755)
	\$ —	\$ —

**6. Deferred revenue:**

	2019	2018
Business Support		
BFO funding (geothermal program)	\$ 148,782	\$ 148,782
Electric vehicle initiative	143,691	143,691
Manitoba Hydro funding (shallow unconventional shale gas project)	13,968	13,968
Other unearned project receipts	9,705	9,705
	316,146	316,146
MTI	—	14,000
Deferred revenue	\$ 316,146	\$ 330,146

**7. Operating advance payable:**

The Corporation has a \$500,000 non-interest bearing working capital advance from the Province of Manitoba for MTI. The advance is payable on demand.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 8. Restricted funds and deposits payable:

As at March 31, restricted funds held under the PNP-B and invested with a Schedule I chartered bank and the Province of Manitoba were as follows:

	2019	2018
Cash and cash equivalents with a chartered bank	\$ 11,247,468	\$ 7,917,794
Amounts invested with the Minister of Finance	59,299,337	63,875,307
	<u>\$ 70,546,805</u>	<u>\$ 71,793,101</u>

Included within amounts invested with the Minister of Finance is a provincial bond with a carrying value of \$5,008,165 (2018 - \$5,020,328) with the remainder consisting of term deposits with maturities of three months or less held with the Province of Manitoba.

The provincial bond bears interest at a rate of 2.45 percent (2018 - 2.45 percent) and matures December 2019 (2018 - matures December 2019).

Interest earned on the provincial bond for the year ended March 31, 2019 totaled \$143,497 (2018 - \$105,753). Amortization of bond premium for the year ended March 31, 2019 totaled \$12,164 (2018 - \$10,838). Fair value of the provincial bond at March 31, 2019 is \$5,021,150 (2018 - \$5,044,250).

As at March 31, deposits payable under the PNP-B were as follows:

	2019	2018
Deposits payable	\$ 70,546,805	\$ 71,793,101

The Corporation, Manitoba Growth, Enterprise and Trade and Manitoba Education and Training operate a program known as the Business Investor Stream of the Provincial Nominee Program (formerly the Provincial Nominee Program for Business) (PNP-B). The PNP-B offers individuals who wish to immigrate to Manitoba to establish and operate a business, the opportunity to obtain a provincial Nomination Certificate. During the 2003 fiscal year, the Corporation began entering into agreements with qualified individuals whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within a specified period of time after landing in Canada.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 8. Restricted funds and deposits payable (continued):

As evidence of their commitment, upon approval the immigrants were required to deposit \$100,000 (or \$75,000 under the Farm Strategic Recruitment Initiative) with the Corporation prior to receiving the Nomination Certificate. These deposits are held by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the deposit agreements. The final decision as to admission to Canada for Permanent Residence is made by the Government of Canada. In the event that a nominee is not granted a Permanent Resident visa by the Government of Canada, the Corporation refunds the deposit. 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.

In 2014, a number of changes were introduced to the PNP-B. The deposit for the PNP-B was raised to \$100,000 from \$75,000. The Young Farmer Program was replaced by a Farm Strategic Recruitment Initiative (FSRI) which is a special rural economic initiative under the auspices of the PNP-B. Approved immigrants under the FSRI are required to deposit \$75,000 with the Corporation. Under both the PNP-B and the FSRI, a non-refundable application processing fee of \$2,500 was introduced. Total application processing fees collected during the year were \$74,890 (2018 - \$698,432).

In November 2017, further changes were introduced to the PNP-B. Application processing fees will continue to be collected; however, they will not be administered by the Corporation. Also, the PNP-B now has two pathways:

- The Entrepreneur Pathway, for applicants seeking to open a business in Manitoba; and
- The Farm Investor Pathway, for those intending to operate a farm operation in rural Manitoba.

After November 2017, new business investors under the Entrepreneur Pathway are not required to submit a deposit or enter into an agreement with the Corporation. As of March 31, 2019, the PNP-B continues to process a backlog of applications submitted prior to November 2017; however, once this backlog is cleared, there will be no further application fees received and deposits (\$75,000) will only be received from individuals under the Farm Investor Pathway (which replaced the FSRI).

Actual deposits retained during the year amounted to \$5,326,090 (2018 - \$9,026,770) and are presented net of the reversal of amounts previously retained of \$374,990 (2018 - \$600,095) as a result of immigrants subsequently satisfying the conditions of the agreements. Net deposits retained are \$4,951,100 (2018 - \$8,426,675).



# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 9. Accumulated surplus:

Accumulated surplus is made up of the following:

				2019	2018
	PNP-B	Business support	MTI		
Unrestricted surplus	\$ 49,077,964	\$ 5,221,652	\$ 473,905	\$ 54,773,521	\$ 52,442,215
Restricted surplus	4,737,351	–	–	4,737,351	6,477,851
Share capital	–	1,000	–	1,000	1,000
	\$ 53,815,315	\$ 5,222,652	\$ 473,905	\$ 59,511,872	\$ 58,921,066

## 10. Contingencies:

Manitoba Development Corporation has guaranteed the repayment of debt, bank loans and lines of credit held by others. Debt guaranteed by MDC is guaranteed, as to principal and interest, until the debt is matured or redeemed.

The authorized limits and the outstanding guarantees are summarized as follows:

	Authorized Limit	2019	2018
Friends of the Canadian Museum for Human Rights	\$ 25,000,000	\$ 4,450,000	\$ 7,150,000
Other	2,000,000	1,302,000	1,205,000
	\$ 27,000,000	\$ 5,752,000	\$ 8,355,000

At March 31, 2018, a reversal of the provision for future losses on guarantees in the amount of \$500,000 was recorded in the statement of operations and accumulated surplus.

## 11. Commitments:

Commitments and undisbursed balances of approved loans and equity investments:

	2019	2018
Manitoba Industrial Opportunities Program	\$ 3,475,000	\$ 3,475,000
Manitoba Science & Technology Fund	667,767	667,767
CentreStone Ventures Limited Partnership	1,381,525	1,381,525
	\$ 5,524,292	\$ 5,524,292

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 12. Growing Through Immigration Strategy and Economic Development Support:

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

	2019	2018
Education and Training	\$ 3,578,000	\$ 3,996,000
Growth, Enterprise and Trade	1,750,000	1,750,000
	<b>\$ 5,328,000</b>	<b>\$ 5,746,000</b>

## 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. Financial risks and concentration of risk:

### (i) 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:

	2019	2018
Cash and cash equivalents	\$ 59,191,599	\$ 51,035,623
Accounts receivable	181,516	774,300
Loans receivable	41,908,896	48,802,385
Portfolio investments	5,549,832	12,887,780
Restricted funds	70,546,805	71,793,101
	<b>\$ 177,378,648</b>	<b>\$ 185,293,189</b>

Cash and cash equivalents and restricted funds: the Corporation is not exposed to significant credit risk as the cash and cash equivalents and restricted funds are primarily held by the Minister of Finance and with a Schedule 1 Canadian chartered bank.

# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 14. Financial risks and concentration of risk (continued):

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 provision for doubtful loans receivable is determined with reference to the Corporation's historical loss experience on similar loans and 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. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the provision for decline in value of estimates.

Management of credit risk is an integral part of the Corporation's activities with careful monitoring and appropriate remedial actions being taken.

Management has determined that the provision required for loans receivable as at March 31, 2019 is \$16,519,081 (2018 - \$17,841,873).

Management has determined that the provision required for loan guarantees as at March 31, 2019 is nil (2018 - nil).

Management has determined that the provision required for portfolio investments as at March 31, 2019 is \$5,240,755 (2018 - \$5,240,755).

### (ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to term deposits with the Minister of Finance and a Schedule I Canadian chartered bank. The term deposits are interest bearing with short-terms to maturity. As the term deposits are normally held to maturity, changes in interest rates do not affect their value.



# MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 14. Financial risks and concentration of risk (continued):

### (iii) 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. Funds provided by the Province of Manitoba have a direct correlation to the loans receivable and equity investments as funds borrowed are used for these purposes. Funding is provided by the Province of Manitoba for the full amount of loans receivable and equity investments that are written off. Subsequently, the Corporation has minimal liquidity risk on its loans receivable and equity investments in respect of the funds provided by the Province of Manitoba.

There have been no significant changes to the Corporation's exposure to financial risks, concentration of risk in how they arise nor how risks are managed since the previous period.



**MANITOBA DEVELOPMENT CORPORATION**

Schedule of Operations and Accumulated Surplus - PNP-B

Schedule A

Year ended March 31, 2019, with comparative information for 2018

	Budget	2019	2018
<b>Income:</b>			
Income from portfolio investments	\$ 100,247	\$ 237,839	\$ 300,060
Interest income	704,235	1,670,826	1,026,738
Deposit retentions	7,750,000	4,951,100	8,426,675
Application processing fees	1,250,000	74,890	698,432
	9,804,482	6,934,655	10,451,905
<b>Expenses:</b>			
Program administration	1,878,829	1,135,275	1,394,551
Transfers to the Department of Education and Training	4,848,000	3,578,000	3,996,000
Transfers to the Department of Growth, Enterprise Enterprise and Trade	2,832,000	1,750,000	1,750,000
	9,558,829	6,463,275	7,140,551
Annual surplus	245,653	471,380	3,311,354
Accumulated surplus, beginning of year		53,343,935	50,032,581
Accumulated surplus, end of year		\$ 53,815,315	\$ 53,343,935

**MANITOBA DEVELOPMENT CORPORATION**

Schedule of Operations and Accumulated Surplus - Business Support

Schedule B

Year ended March 31, 2019, with comparative information for 2018

	Budget	2019	2018
<b>Income:</b>			
Interest from portfolio investments	\$ 103,000	\$ 114,609	\$ 79,681
Interest income	5,150,706	2,757,783	2,553,328
Project revenue	—	—	8,437
Recovery (reimbursement) of Business Support expenses from (to) the Province of Manitoba:			
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,322,792)	(815,792)
Provision for (reversal of) loan guarantees	—	—	(500,000)
	<u>6,640,862</u>	<u>1,549,600</u>	<u>1,325,654</u>
<b>Expenses:</b>			
Program administration	93,500	14,284	20,331
Payment of Business Support interest on loans receivable to the Province of Manitoba	5,150,706	2,757,783	2,553,328
Project costs	—	—	8,437
Provision for (reversal of) doubtful loans receivable	1,387,156	(1,322,792)	(815,792)
Provision for (reversal of) loan guarantees	—	—	(500,000)
	<u>6,631,362</u>	<u>1,449,275</u>	<u>1,266,304</u>
Annual surplus	9,500	100,325	59,350
Accumulated surplus, beginning of year		5,122,327	5,062,977
Accumulated surplus, end of year		<u>\$ 5,222,652</u>	<u>\$ 5,122,327</u>

**MANITOBA DEVELOPMENT CORPORATION**

Schedule of Operations and Accumulated Surplus - MTI

Schedule C

Year ended March 31, 2019, with comparative information for 2018

	Budget	2019	2018
<b>Income:</b>			
Income from portfolio investments	\$ 15,000	\$ 8,600	\$ 3,431
Participation fees	170,000	31,325	512,946
	185,000	39,925	516,377
<b>Expenses:</b>			
Program administration	170,000	20,824	505,757
Annual surplus	15,000	19,101	10,620
Accumulated surplus, beginning of year		454,804	444,184
Accumulated surplus, end of year		\$ 473,905	\$ 454,804

# MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted

Schedule D

Year ended March 31, 2019

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Under the *Manitoba Development Corporation Act*, there was no new assistance authorized in the current year.