MANITOBA DEVELOPMENT CORPORATION

Annual Report

March 2008

Manitoba

MANITOBA DEVELOPMENT CORPORATION

Financial Statements

March 31, 2008

MINISTER OF COMPETITIVENESS,
TRAINING AND TRADE

Winnipeg, Manitoba, CANADA
R3C 0V8

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

Your Honour:

I am pleased to present the Annual Report for the Manitoba Development Corporation for the fiscal year ending March 31, 2008.

Respectfully submitted,

Original Signed by...

Andrew Swan
Minister

Competitiveness, Training and Trade
Manitoba Development Corporation
1040 - 259 Portage Avenue
Winnipeg MB R3B 3P4

Honourable Andrew Swan
Competitiveness, Training and Trade
Room 358 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Swan:

It is our pleasure to submit the Annual Report of the Manitoba Development Corporation for the fiscal year ended March 31, 2008, as required by Section 44 of the Development Corporation Act.

Respectfully submitted,

Original Signed by…

Hugh Eliasson
Chairperson

Competitiveness, Training and Trade
Manitoba Development Corporation
1040 - 259 Portage Avenue
Winnipeg MB R3B 3P4

THE MANITOBA DEVELOPMENT CORPORATION

MANAGEMENT REPORT

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

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

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

James F. Kilgour, C.A.
General Manager

Kristine Seier, CMA
Secretary-Treasurer

Manitoba
spirited energy

MANITOBA DEVELOPMENT CORPORATION

Financial Statements
For the year ended March 31, 2008

MANITOBA DEVELOPMENT CORPORATION

Financial Statements
For the year ended March 31, 2008

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

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Auditors' Report

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the balance sheet of **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2008 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2008

MANITOBA DEVELOPMENT CORPORATION
Balance Sheet

For the year ended March 31				2008	2007
	PNP-B	**MDC Part I**	**MDC Part II**	**Total**	Total
ASSETS					
Current Assets					
Cash	**$ 527,098**	**$ 222,816**	**$ -**	**$ 749,914**	$ 209,397
Cash held in trust	**-**	**-**	**558,296**	**558,296**	282,947
Short-term investments	**10,023,542**	**4,614,751**	**-**	**14,638,293**	11,650,100
Accounts receivable (Note 4)	**160,923**	**18,207**	**-**	**179,130**	466,286
	10,711,563	**4,855,774**	**558,296**	**16,125,633**	12,608,730
Assets Managed for the Province of Manitoba					
Loans receivable (Note 5)	**-**	**-**	**57,127,380**	**57,127,380**	45,438,714
Equity Investments (Note 6)	**-**	**-**	**6,441,931**	**6,441,931**	6,621,597
Trust Funds (Note 7)	**33,342,643**	**-**	**-**	**33,342,643**	26,741,139
	$ 44,054,206	**$ 4,855,774**	**$ 64,127,607**	**$ 113,037,587**	$ 91,410,180
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current Liabilities					
Accounts payable	**$ 581,818**	**$ 360,322**	**$ -**	**$ 942,140**	$ 604,896
Funds provided by the Province of Manitoba	**-**	**-**	**64,127,607**	**64,127,607**	52,343,258
Trust liabilities (Note 7)	**33,342,643**	**-**	**-**	**33,342,643**	26,741,139
Severance pay benefits (Note 3)	**-**	**-**	**-**	**-**	102,241
	33,924,461	**360,322**	**64,127,607**	**98,412,390**	79,791,534
Commitments (Note 10)					
Shareholder's Equity					
Share capital - authorized and issued 100 shares at $10 per share	**-**	**1,000**	**-**	**1,000**	1,000
Restricted surplus (Note 8)	**3,976,157**	**-**	**-**	**3,976,157**	4,063,543
Retained earnings	**6,153,588**	**4,494,452**	**-**	**10,648,040**	7,554,103
	10,129,745	**4,495,452**	**-**	**14,625,197**	11,618,646
	$ 44,054,206	**$ 4,855,774**	**$ 64,127,607**	**$ 113,037,587**	$ 91,410,180

Approved on behalf of the Board:

____________________ Director   ____________________ Director

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Retained Earnings

For the year ended March 31	PNP-B 2008	MDC Part I 2008	MDC Part II 2008	Total 2008	Total 2007
Income					
Interest	$ 1,627,148	$ 279,571	$ 3,973,498	$ 5,880,217	$ 4,647,225
Deposit Retentions (Note 7)	2,250,000	-	-	2,250,000	2,000,079
Recovery of Program Administration Expenses (Note 9)	588,276	-	-	588,276	449,229
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts (recovery)	-	-	(1,877,962)	(1,877,962)	59,681
Provision for decline in value of investments	-	-	331,689	331,689	181,174
Pro-rata share of partnership losses	-	-	2,208,522	2,208,522	576,882
	4,465,424	279,571	4,635,747	9,380,742	7,914,270
Expenses					
Program administration	1,129,552	30,650	-	1,160,202	1,265,312
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	3,973,498	3,973,498	3,077,052
Provision for doubtful accounts (recovery)	-	-	(1,877,962)	(1,877,962)	59,681
Provision for decline in value of investments	-	-	331,689	331,689	181,174
Pro-rata share of partnership losses	-	-	2,208,522	2,208,522	576,882
	1,129,552	30,650	4,635,747	5,795,949	5,160,101
Transfers to the Department of Labour and Immigration (Note 11)	383,800	-	-	383,800	263,044
Transfers to the Department of Competitiveness, Training and Trade (Note 11)	194,442	-	-	194,442	10,000
	1,707,794	30,650	4,635,747	6,374,191	5,433,145
Net income and comprehensive income for the year	2,757,630	248,921	-	3,006,551	2,481,125
Retained earnings, beginning of year	3,308,572	4,245,531	-	7,554,103	4,217,873
Transfer from (to) Restricted Surplus (Note 8)	87,386	-	-	87,386	855,105
Retained earnings, end of year	$ 6,153,588	$ 4,494,452	$ -	$ 10,648,040	$ 7,554,103

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

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	**$ 3,006,551**	$ 2,481,125
Adjustments for		
Provision for doubtful accounts (recovery)	**(1,877,962)**	59,681
Provision for decline in value of investments	**331,689**	181,174
Pro-rata share of partnership losses	**2,208,522**	576,882
Provision for Deposit Retentions	**(2,250,000)**	(2,000,079)
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba	**(662,249)**	(817,737)
	756,551	481,046
Changes in non-cash working capital balances		
Accounts receivable	**287,156**	(169,317)
Accounts payable	**337,244**	173,239
	624,400	3,922
Severance pay benefits	**(102,241)**	102,241
Net cash flow from operating activities	**1,278,710**	587,209
Cash Flows from Investing Activities		
Loans receivable		
Principal repayments	**8,655,718**	6,270,566
Loans issued	**(18,474,996)**	(9,021,376)
Change in accrued interest receivable	**81,261**	(60,694)
Equity investments		
Investments made	**(2,360,545)**	(2,607,048)
Provincial Nominee Program for Business Trust Funds	**(6,601,504)**	518,897
	(18,700,066)	(4,899,655)
Funds provided by the Province of Manitoba		
Part II	**12,373,910**	5,546,161
Provincial Nominee Program for Business	**8,851,505**	5,506,457
Net cash flow from investing activities	**2,525,349**	6,152,963
Net increase in cash and cash equivalents	**3,804,059**	6,740,172
Cash and cash equivalents, beginning of year	**12,142,444**	5,402,272
Cash and cash equivalents, end of year	**$ 15,946,503**	$ 12,142,444
Represented by:		
Cash	**$ 749,914**	$ 209,397
Short-term investments	**14,638,293**	11,650,100
Cash held in trust	**558,296**	282,947
	$ 15,946,503	$ 12,142,444

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

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

Loans Receivable Under Part II

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

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

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

Equity Investments Under Part II

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

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

Financial Instruments

The corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value because of their short-term maturity of these instruments. The fair value of long-term investments is estimated based on current rates assumed for similar government guaranteed debt of the same maturity.

All transactions related to financial instruments are recorded on a trade date basis.

The corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The corporation's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash, cash held in trust and short-term investments. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets (loans receivable). They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-to-maturity Investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities held as Trust Funds. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Fair values are determined directly by reference to published price quotations in an active market.

Financial Instruments (continued)

Available for Sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprises of all equity investments held by the corporation. Given that the shares in all equity investments do not have a quoted market price in an active market, they are carried at cost. Transaction costs related to available-for-sale investments are expensed as incurred.

Other Financial Liabilities - Other financial liabilities include all financial liabilities other than those classified as held-for-trading and comprises trade accounts payable, Funds provided by the Province of Manitoba and trust liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

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

All financial instruments are denominated in Canadian dollars.

The corporation does not participate in derivative financial instrument trading.

Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets and the change in the effective portion of a cash flow hedge transaction. The corporation had no other comprehensive income items for the year. Because the corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Operating Losses

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

Cash 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.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2008

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

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

Contributed Services

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

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.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Capital Disclosures - CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative date about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently assessing the impact of the new standard.

New Accounting Pronouncements (continued)

Financial Instruments - Disclosures and Presentation - CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

International Financial Reporting Standards - The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the corporation's financial statements has yet to be determined.

1. Nature of Operations and Economic Dependence

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

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

On March 15, 2005, the Province of Manitoba authorized the transfer of financial administration of the Provincial Nominee Program for Business from the Manitoba Trade and Investment Corporation (MTIC) to the Corporation effective April 1, 2005. The Manitoba Provincial Nominee Program for Business allows Manitoba to recruit, select, and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish or purchase a business.

Effective January 19, 2008 Treasury Board provided authority to convert all of the MDC employees into Civil Servants in the departments of Competitiveness Training & Trade and Labour and Immigration. As at March 31, 2008 the Corporation no longer had any regular staff positions.

2. Change in Accounting Policy

On April 1, 2007, the corporation retroactively adopted, without restatement of prior periods, CICA Handbook Section 1530, "Comprehensive Income", Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the corporation's statement of operations and retained earnings.

3. Severance Pay Benefits

Upon transfer of employees back to the Province on January 19, 2008, accumulated severance pay obligations were returned to the Province of Manitoba for its employees.

4. Accounts Receivable

	2008	2007
Province of Manitoba	**$ -**	$ 292,901
Other	**86,013**	37,786
Accrued Interest	**93,117**	135,599
	$ 179,130	$ 466,286

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

	2008	2007
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	**$ 55,652,594**	$ 57,580,865
- Forgivable	**-**	2,080,427
	55,652,594	59,661,292
Other Loans Receivable		
International Education Incentive Loan	**50,000**	-
Other	**11,100,000**	-
	11,150,000	-
	66,802,594	59,661,292
Less: Allowance for forgiveness	**-**	(2,080,427)
Allowance for doubtful accounts	**(9,675,214)**	(12,142,151)
	(9,675,214)	(14,222,578)
	$ 57,127,380	$ 45,438,714

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

	2008	2007
2008	**$ -**	$ 5,808,576
2009	**3,818,578**	5,012,941
2010	**8,006,916**	9,073,933
2011	**13,625,884**	13,144,752
2012	**14,242,146**	-
Subsequent to 2012	**-**	15,313,763
2013	**2,620,335**	-
Subsequent to 2013	**13,140,841**	8,947,745
Accrued interest	**197,894**	279,155
	55,652,594	57,580,865
Allowance	**(9,675,214)**	(12,142,151)
	$ 45,977,380	$ 45,438,714

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

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

	2008	2007
Nil	**$ 2,104,255**	$ 2,714,868
Greater than Nil, less than 5%	**24,562,006**	29,730,537
5% or greater, less than 6%	**15,996,077**	16,203,010
6% or greater, less than 7%	**4,967,708**	6,636,628
7% or greater, less than 8%	**3,466,667**	2,016,667
8% or greater, less than 9%	**3,308,425**	-
9% or greater, less than 10%	**1,049,562**	-
Accrued interest	**197,894**	279,155
	55,652,594	57,580,865
Allowance	**(9,675,214)**	(12,142,151)
	$ 45,977,380	$ 45,438,714

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

On March 31, 2008 the Province authorized the disbursement of an $11,100,000 loan in regard to the Canadian Human Rights Museum. The loan bears no interest and is repayable by installments equal to the the amounts received from the Government of Canada in respect of the Museum under the Payments in Lieu of Taxes Act, R.S.C. 1985 c. M-13.

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

	2008	2007
Forgivable within 2 years	**$ -**	$ 2,080,427

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

	2008	2007
Share capital investments		
Faneuil ISG Inc.	**$ 1**	$ 1
Less: Allowance for forgiveness of shares	**1**	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	**1,863,850**	300,000
CentreStone Vision Fund	**1,842,397**	1,709,408
Manitoba Capital Fund	**4,363,200**	4,363,200
Manitoba Science and Technology Fund	**1,745,703**	1,731,997
Renaissance Capital Fund	**3,000,000**	3,000,000
Western Life Sciences Venture Fund LLP	**5,800,000**	5,150,000
Vision Capital Fund	**1**	1
	18,615,151	16,254,606
Less:		
Allowance for decline in value of investments	**(9,869,129)**	(9,537,440)
Pro-rata share of partnership losses	**(2,304,091)**	(95,569)
	(12,173,220)	(9,633,009)
	$ 6,441,931	$ 6,621,597

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

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

	2008	2007
Gross Trust Liabilities	**$ 33,342,643**	$ 26,741,139

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

At March 31, 2008, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled $33,342,643 (2007 - $26,741,139). Interest earned on these deposits during the year and retained by the Corporation totaled $1,627,148 (2007 - $1,186,813). Actual deposits retained during the year amounted to $2,350,000 (2007 - $2,275,079) and are presented net of an allowance adjustment of $100,000 (2007 - $275,000).

8. Restricted Surplus

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

9. Recovery of Program Administration Expenses and Related Party Transactions

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

	2008	2007
Departmental appropriations - Competitiveness, Training and Trade	**$ 217,502**	$ 217,541
Manitoba Opportunities Fund Ltd.	**350,604**	210,343
Participants Program	**20,170**	21,345
	$ 588,276	$ 449,229

The Manitoba Opportunities Fund Ltd. also provided a recovery of $83,186 (2007 - $77,077) to cover salary and occupancy costs related to a Corporation employee who worked exclusively on Manitoba Opportunities Fund Ltd. matters (this recovery has been netted against Program Administration Expenses). The Manitoba Opportunities Fund Ltd. operates under the control of a common Board of Directors.

10. Commitments

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

	2008	2007
Manitoba Industrial Opportunities Program	**$ 4,748,797**	$ 14,700,192
Manitoba Science & Technology Fund	**754,297**	768,003
Canterbury Park Capital	**8,136,150**	9,700,000
CentreStone Venture Fund Limited	**2,947,650**	3,290,592
Manitoba Capital Fund	**353,334**	353,334
Western Life Sciences Venture Fund LLP	**-**	650,000
	$ 16,940,228	$ 29,462,121

11. Growing Through Immigration Strategy Support

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

	2008	2007
Department of Labour and Immigration	**$ 383,800**	$ 263,044
Department of Competitiveness, Training and Trade	**194,442**	10,000
	$ 578,242	$ 273,044

March 31, 2008

12. Financial Instruments

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

13. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's presentation.