

Deh Cho Business Development Centre



“A Bridge to Success”



ANNUAL REPORT 2005 - 2006

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INTRODUCTION

The Deh Cho Business Development Centre (BDC) is a non-profit Corporation governed by a Board of Directors chosen from the communities it serves. It is funded by the Territorial Government through the Department of Industry, Tourism & Investment, using funds from the Community Futures Program and the Government of the Northwest Territories.

The Centre's mandate is to enhance the local economy and stimulate employment through business development in the Deh Cho Region. We provide assistance at all stages of business start-up and expansion improving the client's chances of success.

The services are provided to clients in the six communities of the Deh Cho region: Nahanni Butte, Trout Lake, Fort Liard, Fort Simpson, Wrigley and Jean Marie River. Total population of the region is approximately 2,200. Services were also provided to Fort Providence and Kakisa from September 2005 to March 2006 during the 2005 / 06 fiscal year.

This document outlines the activities of the BDC, and its effect on business and employment in the region for the 2005/06 year, and presents the BDC's financial situation as of March 31, 2006.

Board of Directors 2005/2006

| | | |
|------------------|---------------|------------------|
| John Hazenberg | Chairperson | Fort Simpson |
| Ruby Jumbo | Vice Chair | Trout Lake |
| Tim McClelland | Sec/Treasurer | Fort Simpson |
| George Tsetso | Director | Nahanni Butte |
| Yvonne Norwegian | Director | Jean Marie River |
| Peter Bertrand | Director | Fort Liard |
| Eva Hope | Director | Fort Liard |
| Michael Neyelle | Director | Wrigley |

Investment Review Committee

The Investment Review Committee (IRC) is made up of two Board members and three people from the communities who are knowledgeable in business affairs. It is responsible for the approval of all loans in excess of \$5,000.

Staff



Sean Whelly
Business Dev. / Loans Officer

Todd Noseworthy
General Manager

Time Line of Significant Events

- June 1997** - Idea Presented To Communities
- September 1997** - Temporary Board Put In Place
- April 1998** - Application for BDC Submitted & Approved
- September 1998** - General Manager Hired
- October 1999** - First Board Meeting
- November 1998** - First Official Board Ratified and Officers Elected
- November 1998** - BDC Incorporated
- January 1999** - Business Development / Loans Officer Hired
- January 1999** - Operating and Loan Funds (\$550,000) Received
- January 1999** - First Loan Approved and Advanced
- March 2000** - Received funding for Service Canada Pilot Project (First Service Canada Agent Hired)
- January 2001** - Hired Executive Assistant
- Fort Simpson Economic Development Officer
Position Transferred to Deh Cho BDC
- September 2001** - Hired Youth Development Officer
- April 2002** - Held first NWT Youth Business Conference
- November 2003** - Held First Public Annual General Meeting
- November 2003** - Hired Second Business Development Officer for the first time
- December 2003** - At least one loan disbursed in every community
- March 2004** - \$1,500,000 in loans approved and disbursed
- May 2004** - Held Deh Cho Oil & Gas Conference
- July 2005** - Surpassed \$2,000,000 in loans /guarantees/ bid security disbursements

Services and 2005 - 2006 Utilization

General Business Counseling, Training, the provision of a Small Business Resource Centre, Small Business Loans and Monitoring & Aftercare are the core services offered by the Deh Cho Business Development Centre (BDC) to new and existing businesses of the region. The services enhance each small business's chance of success and improves the business environment in general thereby helping to create and maintain jobs in the communities served.

This Annual Report presents a brief description of the services provided during the 2005-06 fiscal year and summarizes some of the effects they had on the region.

General Business Assistance

General Business Counseling / Technical Assistance

Providing assistance with the assessment of the viability / feasibility of an idea, looking for financing, and helping to determine what financing is required are just a few examples of General Business Counseling.

Technical Assistance usually has a more tangible outcome and includes assistance with the preparation of a business's income tax, helping to develop logos, and the completion of time sheets among other things.

The Operational Plan for 2005-06, estimated that 45 clients would request counseling services and 90 would require technical assistance. Nineteen people were recorded as having received some form of counseling while 95 people received significant technical help.

Assistance with Business Plans / Applications

To access financing from the Business Development Centre and other small business funds clients need a business plan or a short summary of their plans. Some clients also require assistance with the completion of applications to other funding agencies or departments. Staff of the BDC provide the necessary assistance.

It was estimated that 15 clients would require help with business plans during 2005-06. Staff of the BDC assisted 12 clients with the preparation of their business plans / summaries. Some plans were used to apply for BDC funding only while others were used for more than one purpose.

It was anticipated that 18 requests for assistance with the preparation of financing applications would be received. Actual numbers indicate that 15 clients received help. The estimated dollar value of approved applications is \$61,701.

The BDC projected that the businesses started / expanded / maintained would be 11 / 3 / 3 as a result of all general business services. Actual results were 2 / 1 / 5 not including those that also received financial assistance from the BDC. The services assisted with the creation of 1 part-time job and the maintenance of 1 full-time & 11 part-time jobs. Many other businesses were enhanced by the services provided but not to the extent that they can be included in these statistics.

Training Workshops & Conferences

The BDC continued to make an effort to visit each community in the region at least twice during 2005 / 06. Workshops were offered during most visits. Sessions offered in the six core communities were: “Tendering”, “Understanding Financial Statements”, “Personal Finance”, “Basic Marketing”, “Basic Bookkeeping”, “Business Forms” and “Tax for Small Business”. Selected workshops were also offered in Fort Providence and Kakisa during 05/06.



The Operational Plan for 2005 / 06 estimated that 24 workshops would be offered and that they would be attended by 60 people. Including Fort Providence and Kakisa 26 workshops were offered though some did not proceed due to lack of attendance. Forty-six people attended the sessions.

Small Business Resource Centre

The Business Resource Centre (BRC) exists to provide clients with the tools needed to enhance their current businesses and to facilitate the development of new ideas. Clients can prepare business plans, research their ideas, and explore opportunities independently or with help from BDC staff. Items available include: books, educational videos, three computers with Internet access for public use, two laptop computers, two digital cameras, a projector, a color laser printer, a scanner and various pieces of software. The portable equipment and other resources can be borrowed for short periods of time.



The Canada / Northwest Territories Business Service Centre and the Aboriginal Business Service Network have provided approximately \$38,300 for the BRC over the last seven years. We expect to receive funds from the Canada - NWT Business Service Center once again this coming year.

Use of the Resource Centre continues. Internet access is sometimes in high demand. Many people use the software for various purposes and the cameras, laptops and projector are borrowed fairly often.

The BDC is committed to being the number one source of business related information in the Deh Cho.

Small Business Loans

Most small businesses in the region should now be aware of the Small Business Loans offered by the Deh Cho BDC. The purpose of the loan financing is to help start or expand small businesses with an eye on the creation of employment and stimulation of the local economy.

To date, the BDC has received \$892,500 from RWED/ITI for the Loan Fund. With those funds, the organization has disbursed \$2,356,607 in loans to approximately 80 different businesses since September 1998.

Although every effort is made to lend all available funds, there is often cash available for new loans. The current portfolio is made up of loans, cash and short-term investments.

Goals related to the lending activities for the 2005-06 year were as follows:

- ? To approve 30 loans, resulting in 7 (23%) business start-ups, 5 (16%) expansions and the maintenance of 18 (60%), totaling \$570,000.
- ? To support approximately 60 jobs.
- ? To keep bad debt to a maximum of \$40,000 - \$50,000 from 3-4 accounts.
- ? To keep write-offs to a maximum of \$50,000 - \$60,000.
- ? That client equity constitute 7.5 % of total project costs.
- ? To increase loan applications from outside of Fort Simpson.
(2004/05 – 39%, 2003/04 – 42 %).
- ? To maintain the percentage of dollars levered from other sources (at least 15%).

The following sub-sections highlight how the funds available were used during 2005 – 06. A summary comparing actual results with the goals listed above concludes this section.

Lending Activity

Eighteen loan applications, for \$358,439, were received during 2005-06. Sixteen were approved for \$340,383. The 16 loans from 05/06 and 1 loan from the previous year were disbursed in 2005/06. Total disbursements were \$411,433. One loan did not require total disbursement. The average loan approved was \$21,274 for 05/06 versus \$14,865 for 04/05, \$15,405 in 2003/04, \$7,994 in 2002/03 and \$17,459 during 2001-02.

The loans disbursed throughout the year helped maintain 11 businesses, expand 4 and start 2.

Tables 1a & 1b show the loan activity over the past seven and one-half years.

(Note: All approvals and advances of loans, guarantees and bid securities are grouped as loans throughout this document for simplification purposes)

Table 1a - # of Applications Assessed / Approved

| | Per. Ended 3/31/99 | Per. Ended 3/31/00 | Per. Ended 3/31/01 | Per. Ended 3/31/02 | Per. Ended 3/31/03 | Per. Ended 3/31/04 | Per. Ended 3/31/05 | Per. Ended 3/31/06 * | Total |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|------------|
| Applications | 11 | 28 | 32 | 20 | 18 | 25 | 28 | 18 | 180 |
| Approvals | 7 | 25 | 26 | 17 | 18 | 24 | 28 | 16 | 161 |

Table 1b - \$ Value Assessed / Approved

| | Per. Ended 3/31/99 | Per. Ended 3/31/00 | Per. Ended 3/31/01 | Per. Ended 3/31/02 | Per. Ended 3/31/03 | Per. Ended 3/31/04 | Per. Ended 3/31/05 | Per. Ended 3/31/06* | Total |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| \$ Requested | \$ 74,355 | \$492,699 | \$ 580,761 | \$319,805 | \$143,890 | \$418,535 | \$443,725 | \$358,439 | \$2,832,209 |
| \$ Approved | 53,300 | 412,324 | 438,714 | 294,686 | 143,890 | 400,535 | 416,225 | \$340,383 | \$2,500,057 |
| \$ Disbursed | 50,800 | 280,324 | 450,714 | 317,686 | 143,890 | 291,535 | 410,225 | \$411,433 | \$2,356,607 |

* includes Fort Providence and Kakisa

Breakdown by Community

A long-term goal of the BDC is increased usage of the loan fund by communities outside of Fort Simpson. All communities have accessed the fund at least once. Wrigley and Fort Liard still have the largest numbers of applicants outside of Fort Simpson. Just thirty-five percent of loans approved and disbursed during 2005/06 were for businesses in Fort Simpson. The remaining five communities represented 65% of approvals. Loans approved and disbursed outside of Fort Simpson for the past two fiscal years were 39% and 42% respectively.



Chart 1 and Table 2 below summarize the data for all communities since inception.

Chart 1

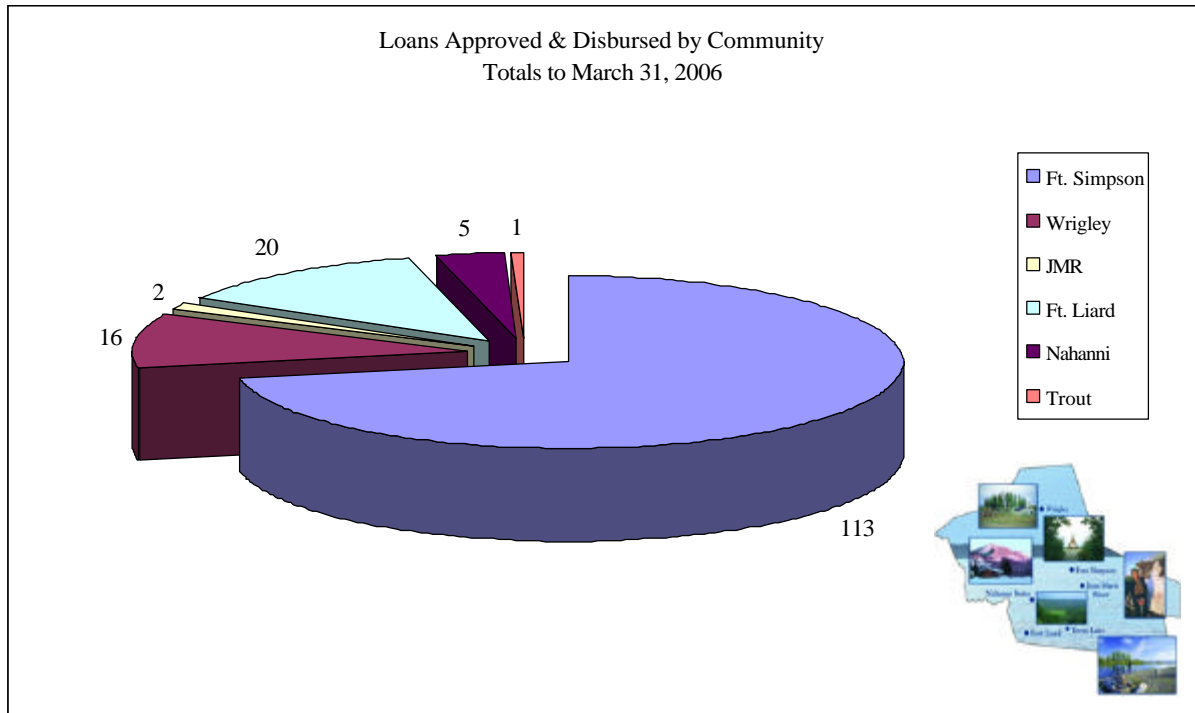


Table 2 shows the number of loans approved in each community by year.

Table 2 – # Loans Approved & Disbursed By Community

| | Ft. Simpson | Wrigley | JMR | Ft. Liard | Nahanni Butte | Trout |
|---------------------------|--------------------|------------------|-----------------|------------------|-----------------|----------------|
| Year 1 | 7 | 0 | 0 | 0 | 0 | 0 |
| Year 2 | 22 | 1 | 1 | 1 | 0 | 0 |
| Year 3 | 21 | 2 | 1 | 2 | 0 | 0 |
| Year 4 | 15 | 1 | 0 | 1 | 0 | 0 |
| Year 5 | 13 | 2 | 0 | 1 | 2 | 0 |
| Year 6 | 14 | 2 | 0 | 3 | 3 | 1 |
| Year 7 | 15 | 5 | 0 | 6 | 0 | 0 |
| Year 8 | 6 | 3 | 1 | 7 | 0 | 0 |
| \$ Totals | \$1,615,203 | \$211,804 | \$60,400 | \$436,500 | \$26,500 | \$6,200 |
| % of \$ Total 2005 | 74.6% | 8.6% | 1.7% | 13.4% | 1.4% | .3% |
| % of \$ Total 2006 | 68.5% | 9.0% | 2.6% | 18.5% | 1.1% | 0.3% |

Portfolio Composition

The dollar value of the loans outstanding and cash available has varied from year to year. Table 3 illustrates the variations in the composition and total value of the Investment Fund for each year ended March 31. RWED advanced additional funds in the 02/03 and 03/04

resulting in the significant increases. Smaller losses and the recovery of loan funds previously recorded as bad debt have helped to slightly increase the \$892,500 contributed by RWED to \$941,690.

Steps are being taken to ensure that the value of the fund is not degraded. Bad debt is not ignored. Judgments against those not repaying their debts are sought and action is taken to collect as long as the costs are not prohibitive.

Table 3 – Portfolio Value Before Bad Debt & Accrued Interest

| | Per. Ended 3/31/00 | Per. Ended 3/31/01 | Per. Ended 3/31/02 | Per. Ended 3/31/03 | Per. Ended 3/31/04 | Per. Ended 3/31/05 | Per. Ended 3/31/06 |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fund Before Bad Debt | \$576,101 | \$619,553 | \$672,865 | \$792,252 | \$ 1,010,312 | \$ 1,045,694 | \$1,055,264 |
| Fund After Bad Debt | \$560,952 | \$542,262 | \$554,974 | \$609,678 | \$ 892,162 | \$ 911,012 | \$ 941,690 |
| Cash & Investments | \$348,368 | \$ 95,317 | \$ 16,513 | \$314,046 | \$ 496,092 | \$ 291,685 | \$ 314,308 |

Table 4 illustrates the components of change in the value of the fund.

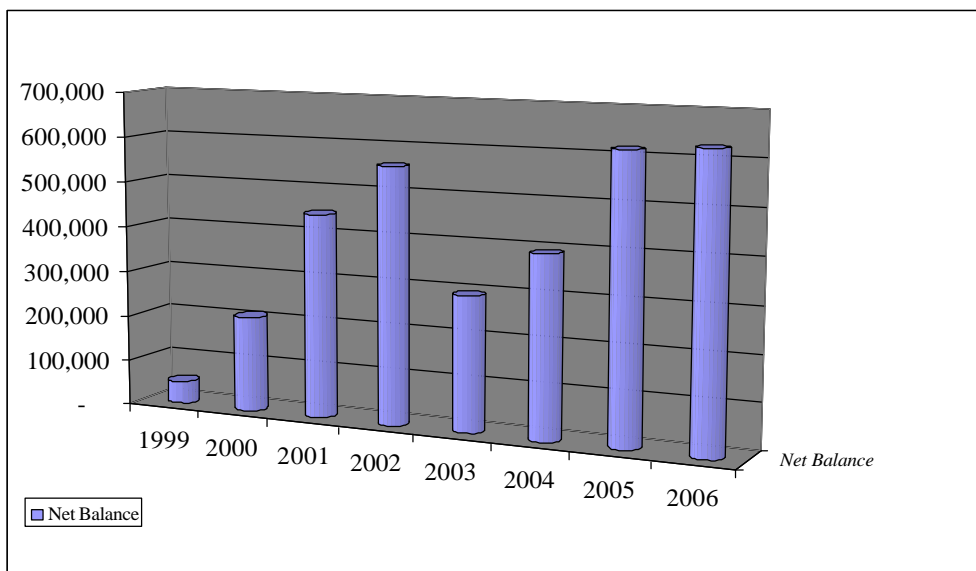
Table 4 – Elements of Change in Fund Value

| | 3/31/00 | 3/31/01 | 3/31/02 | 3/31/03 | 3/31/04 | 3/31/05 | 3/31/06 | Total |
|--------------------|-----------|-----------|-----------|-----------|------------|-----------|-----------|------------|
| Loan Interest | \$ 8,248 | \$ 36,727 | \$ 50,671 | \$ 24,715 | \$ 28,439 | \$ 35,006 | \$ 51,262 | \$ 235,639 |
| Net Other Interest | \$ 17,538 | \$ 6,789 | \$ 2,722 | \$ 2,171 | \$ 6,770 | \$ 7,278 | \$ 5,085 | \$ 47,952 |
| Net Bad Debt | \$ 15,138 | \$ 62,084 | \$ 40,665 | \$ 64,686 | \$ 2,724 | \$ 23,435 | \$ 25,668 | \$ 234,401 |
| RWED Contrib. | 0 | 0 | 0 | \$ 92,500 | \$ 250,000 | \$ 0 | \$ 0 | \$ 892,500 |

* Loan Interest and Bad Debt, starting with the year ended March 31, 03, are lower due to changes in presentation. Accrued interest on bad debt is no longer recorded as revenue and then included in the bad debt expense.

Figure 1 illustrates the changes in the net loan balance (after bad debt) since inception.

Figure 1 – Net Balance Outstanding



Funds Levered

\$93,219 was needed/leveraged from other sources (18.5% of total project cost). \$15,968, or 3.2%, was recorded as client equity, \$41,251 was committed by RWED and \$36,000 was financed by other sources. The Deh Cho BDC’s loans amounted to 82.4% of total project costs. The large percentage of working capital requests result in lower client equity contributions as expected since equity is not required when applying for working capital loans.

Jobs Assisted

The BDC has assisted with the creation and maintenance of many jobs since it first opened in 1998.

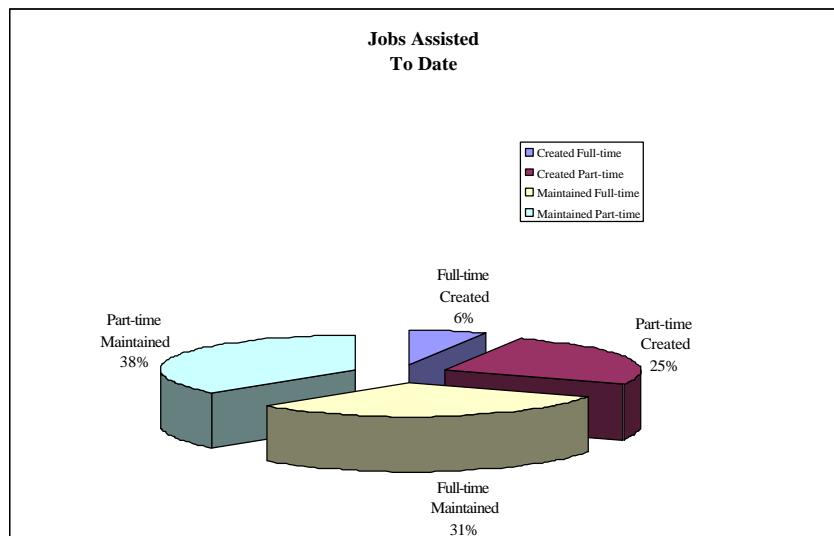
Table 5 / Figure 2 illustrate the effect the loans made by the BDC have had on employment in the region.

Table 5 – Jobs Assisted

| | Created | | Maintained | |
|---------------|-----------|-----------|------------|------------|
| | Full-time | Part-time | Full-time | Part-time |
| 98/99 | 2 | 0 | 5 | 3 |
| 99/00 | 8 | 6 | 36 | 13 |
| 00/01 | 2 | 33 | 18 | 13 |
| 01/02 | 2 | 14 | 10 | 22 |
| 02/03 | 3 | 14 | 7 | 16 |
| 03/04 | 2 | 9 | 13 | 17 |
| 04/05 | 1 | 9 | 13 | 25 |
| 05/06 | 2 | 3 | 7 | 20 |
| Totals | 22 | 88 | 109 | 129 |

Most of the loans provided by the Deh Cho BDC were used by established businesses to maintain operations.

Figure 2 – Jobs Assisted



Small Business Loans Summary

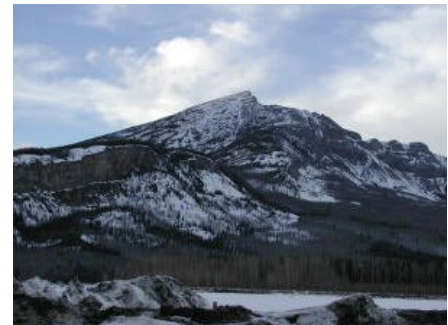
| | Goal | Result |
|---|--------------------------|-----------------------------|
| # Loans, \$ Approved / Disbursed | 30 loans, \$570,000 | 17 loans, \$ 411,433 |
| # Jobs supported | 60 | 32 |
| \$ bad debt (net), # bad accts. | \$40 - \$50 K, 3-4 accts | \$25,668, 3 accts. |
| \$ Written Off | \$50 - \$60 K | \$46,778, 4 accts. |
| % client equity | 7.5% | 3.2% |
| \$ / % levered from RWED | at least 15% | 15.3% |
| \$ / % levered from other sources | | |
| Loans approved outside of Fort Simpson | > past years (39%, 42%) | 65% |

Community Visits



Throughout the year the staff of the BDC visits the communities outside of Fort Simpson to ensure they have access to the BDC programs and to see existing clients. Workshops are often held during the visits.

Over the past year, staff visited Fort Liard, Nahanni Butte, Jean Marie River and Wrigley



twice each for two nights as planned. Trout Lake received only one visit for one night due to weather. The second trip was cancelled due to weather. Staff also visited Fort Providence and Kakisa twice each.

Self-Employment Option Program

The SEO program is offered by Education, Culture and Employment (ECE) and administered, under contract, by the Deh Cho BDC. It allows participants to continue to receive Employment Insurance benefits for a period of time while they set up and run their small businesses. As with all programs, applicants must be screened to determine their eligibility and intentions before they begin. There are restrictions but overall the program is a very good one. It is also a good fit with the Deh Cho BDC's strategic goals.

Once a client is accepted into the program they must complete a business plan and determine if the business is viable. If it is not viable they are removed from the program and return to regular EI. If they do proceed and later discover that the business is not doing as well as projected they can still return to the EI program for the weeks remaining on their claim.

The BDC staff assess the viability of the idea & the capabilities of the client, makes a recommendation to ECE, provides assistance with the business plan and then with the implementation of the plan. Ongoing support is available once the business has started.

If staff of the BDC think there is a chance that a client may qualify for the program it is recommended that he / she go to see ECE for a referral under the SEO program. Unfortunately, because no clients met the pre-qualifying conditions this year (received or currently receiving Employment Insurance, business not yet started or purchased, etc) no new referrals were received.

Junior Achievement

In past years, programs were offered in Nahanni Butte, Fort Liard and Fort Simpson. The BDC was not asked to provide any Junior Achievement programs during 2005/06 however we are still available to provide JA sessions should they be requested in the future.



The Deh Cho BDC was asked to participate in the Career Fair at Thomas Simpson High School. A presentation entitled “What it Takes to Be an Entrepreneur” was given many times as students visited the various booths at the Fair.

Strategic Planning

The Board of the Business Development Centre has started the process of revising its strategic plan. As of March 2006 only two community consultations remained; Trout Lake and Wrigley.

Once the consultations are completed the process will continue.



Other Community Activities / Initiatives

Open Sky Society's Arts Festival

The Deh Cho BDC continues to support the Open Sky Society by providing space for meetings when needed and access to a photocopier, computers (through the BRC) and the Internet.

Financial Statements

2005 / 2006