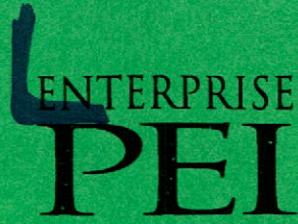


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1995/96 ANNUAL
REPORT



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Letter of Transmittal

February 28, 1997

The Honourable J. Weston MacAleer
Minister of Economic Development and Tourism
Province of Prince Edward Island

Honourable Sir:

I am pleased to submit the Annual Report of Enterprise P.E.I. for the fiscal year ended March 31, 1996.

Respectfully submitted,



Leo J. Walsh
Chief Executive Officer

Executive Summary

The mandate of Enterprise P.E.I. is to provide leadership and support to assist in the creation of employment opportunities and generate wealth for the people of Prince Edward Island.

The past year has seen continued economic growth and further evidence of the competitiveness of the P.E.I. economy resulting in new job creation. Commitment to carry out the mandate through the development of a strategic framework for action provided Enterprise P.E.I. with "*Key Result Areas*". The 1995-96 *Key Result Areas* were:

- to develop and obtain government and industry approval on an "Action Plan" which would facilitate and assist in orderly and proactive growth of the Province's tourism industry;
- to develop and obtain government approval of a comprehensive lending services strategy;
- to develop and expand upon new sources of capital to be used in facilitating economic development;
- to begin construction and implementation of a strategic infrastructure program for our food-based industries;
- to develop and establish an Information Technology strategy; and
- to develop policy initiatives that strategically position the province as a competitive place to do business.

The *Key Result Areas* set clear strategic goals related to the P.E.I. economy which will be measured through a process enabling a comparison of year over year results. A review of the objectives identified for 1995-96 indicates that results were achieved or exceeded in most areas, while in other areas efforts are ongoing.

Support to the small business community continued to be a high priority with a particular emphasis on assistance to companies seeking to expand their participation in export markets. Other priority sectors for Enterprise P.E.I. included food processing, aerospace, information and communications technology, diversified manufacturing, and tourism. Significant achievements were experienced in a number of areas including but not limited to, the announcement of the Eastern Kings Development Initiative, a new Small Fry Snack Foods plant, a new Little Christo's pizza plant, the expansion of

McCain Foods, the announcement of Watts Communications, and the major expansion of Testori Americas Corporation. Additional information on specific results are contained within the body of this report.

Close collaboration, both within Enterprise P.E.I. and with numerous external partners in the public and private sectors are at the heart of all achievements. This year in particular, cooperation with federal colleagues resulted in the establishment of the P.E.I. Trade Development Centre.

With the cooperation of the federal government, the Borden-Carleton Redevelopment initiative is the first phase of delivery of Gateway Village. Phase I will open on schedule June 1, 1997 in conjunction with the three-day celebration to commission the Confederation Bridge.

The Lending Services Strategic Plan has begun to influence favourable achievements in reducing the default rate and risk exposure of its portfolio. Although some losses have occurred, the results clearly indicate experiences in that regard are well within private sector industry norms. Lending Services is now preparing targets for the year 2000.

The publication of the *Five-Year Strategic Action Plan for P.E.I.'s Tourism Industry* and the well-established role of the Tourism Marketing Authority are important steps forward in our efforts to maximize growth in the tourism sector for the province.

Finally, the accomplishments outlined within were achieved in a climate where financial resources were reduced. This report demonstrates how hard work and determination with limited financial resources can produce results.

Sommaire

Entreprise Î.-P.-É. a pour mandat de promouvoir et d'appuyer la création de perspectives d'emploi et la production de richesses pour la population de l'Île-du-Prince-Édouard.

La croissance économique continue de l'année dernière et des signes additionnels témoignant de la compétitivité de l'Île ont mené à la création de nouveaux emplois. La volonté d'accomplir ce mandat s'est manifestée par l'élaboration d'un cadre d'action qui a établi les *points stratégiques* d'Entreprise Î.-P.-É. Les *points stratégiques* de 1995-1996 étaient les suivants:

- élaborer un « plan d'action » qui favorisera et soutiendra la croissance ordonnée et proactive de l'industrie touristique de la province et le faire approuver par le gouvernement et l'industrie;
- élaborer une stratégie globale concernant les prêts et la faire approuver par le gouvernement;
- développer et trouver de nouvelles sources de capitaux qui serviront à faciliter le développement économique;
- mettre en oeuvre un programme d'infrastructure stratégique pour nos industries alimentaires et commencer les travaux de construction;
- élaborer et mettre en oeuvre une stratégie concernant la technologie de l'information;
- élaborer des initiatives stratégiques qui permettraient de positionner la province comme un environnement concurrentiel pour faire des affaires.

Les *points stratégiques* énoncent des objectifs précis concernant l'économie de l'Île. Ces objectifs seront évalués à l'aide d'un processus qui permet de comparer les résultats d'une année à l'autre. L'examen des objectifs de 1995-1996 a révélé que les objectifs ont été atteints ou dépassés dans la plupart des secteurs tandis que, dans d'autres, il reste encore des efforts à faire.

L'aide aux petites entreprises continue d'être une priorité majeure, mais plus particulièrement l'aide aux entreprises qui cherchent à exploiter les marchés d'exportation. D'autres secteurs prioritaires d'Entreprise Î.-P.-É. sont la transformation des aliments, l'aérospatial, les technologies de l'information et des communications, la diversification du secteur manufacturier et le tourisme. Certains secteurs ont connu d'importantes réalisations telles le Projet de remise en valeur de l'est du comté de

Kings, les nouvelles usines de Small Fry Snack Foods et de Little Christo's, l'agrandissement de McCain Foods, l'établissement à l'Île de Watts Communications et l'agrandissement majeur de Testori Americas Corporation qui ont été annoncées, pour n'en citer que quelques-unes. Le rapport renferme de plus amples renseignements sur des résultats spécifiques.

Une étroite collaboration tant à l'interne au sein d'Entreprise Î.-P.-É. qu'à l'externe entre l'organisme et de nombreux partenaires des secteurs public et privé sont au coeur de telles réussites. Cette année en particulier, la collaboration avec les collègues fédéraux a permis la mise sur pied du Centre de promotion du commerce Canada/Île-du-Prince-Édouard.

Grâce à la collaboration du gouvernement fédéral, la phase I du Village Gateway, qui s'inscrit dans le projet de remise en valeur de la région de Borden-Carleton, est en voie de réalisation. Le village ouvrira ses portes le 1^{er} juin 1997 comme prévu, soit en même temps que les festivités marquant l'ouverture du pont de la Confédération, qui dureront trois jours.

Le plan stratégique de la Division des prêts a commencé à avoir des répercussions favorables sur la réduction des taux d'impayés et sur l'exposition au risque du portefeuille. Bien qu'il y ait eu certaines pertes, les résultats montrent clairement qu'elles sont dans les normes de l'industrie et du secteur privé. La Division des prêts prépare maintenant ses objectifs pour l'an 2000.

La publication du *Plan d'action stratégique quinquennal de l'industrie du tourisme de l'Î.-P.-É.* et le rôle précis de l'Office de la commercialisation touristique sont des efforts importants qui ont été faits dans le but de maximiser la croissance du secteur touristique de la province.

Enfin, toutes les réalisations exposées dans ce rapport ont été accomplies dans un climat de restrictions budgétaires. Ce rapport montre que, malgré des moyens financiers limités, il est possible d'obtenir des résultats lorsqu'on y met les efforts et la détermination voulus.

Development ***Divisional Report***

Overview:

The Development Division of Enterprise P.E.I. is the lead division within the Ministry of Economic Development and Tourism for the promotion and delivery of economic development programs to generate investment in the province. The Division's activities are directed to both the on-Island and the off-Island business communities, and with both small and large enterprises.

The 1995-96 fiscal year was extremely active with excellent job creation results. This performance was achieved in an environment of reduced financial resources. Efforts were directed to a relatively small list of key economic sectors including small business, food processing, aerospace, information and communications technology, diversified manufacturing, and biotechnology/pharmaceutical. The Division also dedicated resources to internal support activities including Research, Advertising and Promotion, and Energy.

The summary highlights of activities in the key areas follow.

Small Business

Support to the small business community continued to be a high priority with the Division. Over 300 projects were completed in support of the small business sector. The companies assisted were from all parts of the province and were involved in virtually every industrial sector. Cost shared assistance was provided for new business start-ups, capital expansion projects and a host of marketing assistance projects ranging from travel to trade shows to assistance in the development of new products and services. Particular emphasis was placed on assistance to companies seeking to expand their participation in export markets.

During the fiscal year, Enterprise P.E.I., in cooperation with ACOA, Agriculture and Agri-Food Canada, and Industry Canada, established the P.E.I. Trade Development Centre in Charlottetown. The Centre provides support in the form of training, market intelligence and export market development for P.E.I. companies. This form of inter-governmental cooperation was the first of its kind in Canada.

Food Processing

The food processing sector was particularly active in the 1995-96 fiscal year. Many of the P.E.I. based food processors enjoyed significant growth and expansion. Under the Enterprise P.E.I. umbrella, key international food trade shows were attended by numerous Island processors.

Announcement of the Eastern Kings Development Initiative was made and work commenced on the Souris Food Park; a piece of state of the art infrastructure which will be of significant benefit in the further development of the food processing sector in Eastern P.E.I. As part of this initiative, projects to increase employment and add value to seafood and fruit and vegetable products were announced. The potato processing industry continued its pace of rapid growth with the opening of the new Small Fry Snack Foods plant in Slemon Park, a further expansion at McCain Foods and the announcement of the construction of a new processing facility by Cavendish Farms. P.E.I.'s pizza manufacturer also built new and expanded facilities to increase its impressive expansion into mainland markets.

On the organizational front, Enterprise P.E.I. assisted in laying the groundwork for the formation of a food processors' association to more comprehensively deal with issues being faced by the P.E.I. food processing industry.

Information and Communications Technology

This relatively new sector of activity had a big year in 1995-96. Late in the fiscal year, Watts Communications announced it had selected Charlottetown as the location for its second call centre which would see the creation of 240 jobs over a three-year time period. This good news followed an announcement by Cycor Communications that it had also selected Charlottetown to be the headquarters for Canada's first internet access provider creating 40 jobs in the process.

These projects were the result of the formation of a partnership for Strategic Economic Development between the Island Telephone Company and Enterprise P.E.I. This partnership and the attendance at key domestic and international trade shows ensured that P.E.I. began to establish a reputation as an excellent place to do business. The customized programming approach pioneered by the Division was a tremendous sales tool in this sector.

Aerospace

The level of aerospace activity at Slemon Park enjoyed a big increase when it was announced in December by Testori Americas Corporation that it had successfully concluded negotiations with Enterprise P.E.I. for a major expansion of its operations and the creation of over 100 jobs. Testori's growth was the most dramatic of the tenants at Slemon Park, but all of the firms enjoyed expansion.

Major trade shows were attended and direct solicitations of numerous companies were made in cooperation with Slemon Park Corporation and ACOA.

Biotechnology/Pharmaceutical

Efforts in this relatively new area were chiefly directed to the support of initiatives of the Atlantic Veterinary College (AVC) and its related companies. AVC's specialization

in aquaculture and fish health attracted the interests of a number of companies seeking contracted research services. Efforts were also directed to exploring opportunities for economic development arising from P.E.I.'s pioneering use of information technology in its health system.

Research

The Research section continued its research support to Tourism P.E.I., including the annual Exit Survey and numerous other qualitative and quantitative research projects. Based on this expertise, Enterprise P.E.I.'s research section took over responsibility for all of the research work carried out in support of the Atlantic Canada Tourism Partnership. Research projects were also conducted on behalf of some of the Division's clients.

Policy

The principal efforts in this area were in the areas of taxation and labour policy and appearing before the legislative committee concerning government regulation (Red Tape Review). The Division's focus in these activities is to ensure that the climate for investment is enhanced.

Lending Services ***Divisional Report***

In May, 1995, Government issued a document entitled "Strategic Plan, Enterprise P.E.I. Lending Services", from which a new direction was established for the division. The priority was given to supporting businesses having strong growth and export potential. As a consequence, Lending Services assumed the role of a financial intermediary and risk sharer, not risk taker, through non-competitive strategic alliances with other public and private commercial lenders. The threshold of risk accepted by Enterprise P.E.I. is somewhere between conventional lenders and venture capitalists. The fundamentals of programming offered by Lending Services are from the perspective of "what do you need" versus a "here is what we have" approach.

Additionally, the Strategic Plan referenced Enterprise P.E.I.'s lending portfolio as being large and troubled; illustrating, for comparative purposes, as at December 31, 1994 loan balances in arrears were reported at 34.3% of the total portfolio.

Management was directed to address the problem through implementing an effective strategy to reduce government's risk exposure. The response to the directive identified two specific initiatives: 1) reducing the portfolio size and 2) effectively controlling arrears.

A plan of action was instituted resulting in very favourable achievements. As at March 31, 1996 the portfolio was reduced by \$30.4 million (28%) and arrears had fallen to 13.7%. The process continues.

Strategic Economic Development

During this reporting period, Lending Services introduced two new financing programs - Blueberry Development Program and the Shellfish Aquaculture Financing Program.

The **Blueberry Development** strategy set an objective to bring an additional 6,000 acres of prime blueberry land into commercial production within five years. Financing provides for land and equipment purchases, land development and crop maintenance. There is also a provision for interest deferral up to five years. Commercial viability must be demonstrated within the five year period. Each project must also have the ability for debt servicing by the sixth operating year. As at March 31, 1996 take-up equates to approximately 4,400 acres. The goal of the **Shellfish Aquaculture Financing Program** is to substantially increase the production of high quality farmed shellfish to meet international market demands. Up to 100% financing may be provided for lease development and crop production costs. Acquisition of lease sites and equipment generally requires applicants to input 25% of costs. Payments on interest and

principal may be deferred until the earlier of the sixth anniversary of the first loan advance or the date commercial production is achieved.

Appreciating the program is very much in its infancy, early indications suggest significant take-up will occur.

Looking ahead, no appreciable operational changes to the current mandate are anticipated. Support for job and wealth creation through strategic economic development activities is the expected thrust.

Particulars relating to financing approvals covering the reporting period through the Lending Services Division are presented on Page 15.

Special Projects ***Divisional Report***

Special Projects is a unique function predicated upon definite focus and fast tracking strategically significant, economic development initiatives to contribute to the mandate of the Economic Development & Tourism Ministry to create jobs and wealth. Two persons comprised the staff during fiscal 1995/96.

Special Projects leads the management of Prince Edward Island's interests in the Confederation Bridge project. This is a multi-faceted project involving complex economic, investment, social, environmental, community/provincial planning, transportation, and other issues. Another outcome is to implement new strategies for government to partner with private business to produce economic and other efficiencies from the investment of public funds in infrastructure.

Special Projects also manages Prince Edward Island's interest in the federally sponsored Borden-Carleton Redevelopment Initiative. The Province's points of focus are post-bridge construction uses for Strait Crossing's fabrication yard and the first phase development of Gateway Village, both located at the landfall of the bridge in Borden-Carleton.

The bridge project has created an important legacy to the Island through Strait Crossing's \$70 million dollar investment in the fabrication facility. It has enabled the development of one of the most highly skilled, productive workforces in North America including world class engineering skills. Through employment on this project, many Island workers have gained and developed skills which are invaluable to any such future projects anywhere in the world; skills which they otherwise would not have had the opportunity to gain.

Another point of focus in Prince Edward Island's role in the Borden-Carleton Redevelopment Initiative is Phase I of Gateway Village. This phase includes the installation of infrastructure, a three hectare, passive recreation park and the construction of the 22,000 square foot Gateway Village Anchor Complex. This complex will house a multi-media, interactive, interpretive pavilion, a state of the art visitor information centre, a liquor store and commercial/retail space.

Phase I will see public investment, forecast at \$8.5 million, cost shared on a 70/30 Federal/Provincial basis by funding partners, Atlantic Canada Opportunities Agency, Human Resources Development Canada and Prince Edward Island. Gateway Village Phase I is scheduled to open on June 1, 1997 in conjunction with a three day celebration to commission the Confederation Bridge.

Special projects also led or participated in several other significant large-scale ventures during the 1995/96 fiscal year which include:

- structuring and negotiating Prince Edward Island's \$25 million debt financing of Irving Pulp & Paper Ltd.'s \$90 million expansion of Cavendish Farms at New Annan;
- structuring and negotiating Prince Edward Island's \$5 million subordinated debt financing in Small Fry Snack Foods (Atlantic) Ltd.'s leveraged buy-out of Humpty Dumpty Snack Foods Ltd.;
- structuring and negotiating the \$9 million start-up of Master Packaging Inc.'s cardboard box plant in Borden-Carleton;
- structuring and negotiating Prince Edward Island's off-balance sheet risk arising from a private sector company's US \$8 million export of potatoes to war-torn Algeria to establish a positive floor price for the 1995 crop;
- developing a financing mechanism to address the unique requirements of Prince Edward Island's blueberry industry; and
- examining Prince Edward Island's strategy with respect to championship calibre golf.

In addition to the initiatives cited above, 31 "special projects" were undertaken during the 1995/96 fiscal year.

Tourism P.E.I. (Marketing) ***Divisional Report***

The tourism industry continued a positive growth trend over the 1995 season, with a 13% increase in revenues over 1994. Approximately 777,900 visitors spent \$177.9 million from May to October 1995.

The Tourism Marketing Authority has become well established in its role as industry advisers, contributing to the development and management of the third year of a three-year tourism marketing strategy. Private sector tourism operators contributed more than \$275,000 to the marketing program through cooperative advertising vehicles and purchased space in Tourism P.E.I.'s publications, in addition to \$135,000 generated through Visitors Guide listings. *

After an extensive selection process that involved representatives of government and private sector, Tourism P.E.I. and the Tourism Marketing Authority signed a new marketing agreement with the prestigious advertising firm, Young & Rubicam. Planning for the 1996 market strategy was well underway with a new agency and a positioning statement that expanded on the previous *relax* theme with a strong *activity* message.

In 1995, an innovative new marketing initiative saw the launch of the highly successful infomercial *Cradled on the Waves*. The half-hour program was placed on prime time television in Toronto on four consecutive weekends in April, drawing a huge response from the audience.

Other marketing initiatives included the production of high-quality publications and sales pieces, trade missions to key markets in the northeast region of North America, an expanded editorial program and a successful co-promotion with the Canadian and American auto clubs, CAA and AAA.

Prince Edward Island was an active participant in the Atlantic Canada Tourism Partnership, a three-way cooperative venture involving two levels of government and the region's private sector. The province led regional efforts in certain key markets such as Japan. The Atlantic partnership proved to be an effective means of reaching long-haul markets such as mid-Atlantic United States and overseas, where individual provincial efforts would not be cost-efficient.

A Five-Year Strategic Action Plan for P.E.I.'s Tourism Industry has been prepared as a guide for federal and provincial levels of government to facilitate future development of the province's tourism sector. The initiative was inspired by the growth of the industry in the past five years and the anticipation of significant expansion resulting from the Confederation Bridge.

The report identifies key strategic principles to follow including shoulder season potential, using tourism development as a means of economic development for P.E.I. overall, and a focus upon service quality in all initiatives. Three aggressive targets were established; to host 1 million out-of-province visits by the year 2000; to achieve \$200 million annually in visitor expenditures by the year 2000; and to increase tourism sector employment by 30% over the same period (approximately 5000 new jobs). The report went on to identify and describe five key components to achieve the goals including accommodation development, attraction/infrastructure development, marketing/packaging, service quality enhancement and government industry partnerships. Within that framework, five key catalyst attractions were recommended along with an implementation plan for the entire strategy. The report has been adopted to direct industry development for the next five years.

*Tourism P.E.I. uses an operating budget based on a market year that runs from October to September. Revenue figures quoted above are for the market year October 1995-September 1996.

Approved Financing to Establish or Expand Island Businesses

In Fiscal Year Ended March 31, 1996

	1996		1995	
	No.	\$	No.	\$
<u>ECONOMIC SECTOR</u>				
Agriculture	54	4,774,035	92	9,170,586
Blueberry	5	4,279,565	0	0
Fisheries & Aquaculture	21	2,708,025	34	2,626,946
Tourism	1	200,000	2	210,000
Small Business	0	0	2	325,000
Manufacturing & Processing	11	25,707,278	12	8,641,780
Information Technology	<u>3</u>	<u>640,000</u>	<u>0</u>	<u>0</u>
	<u>95</u>	<u>38,308,903</u>	<u>142</u>	<u>20,974,312</u>

Approved Financial Incentives to Establish or Expand Island Businesses and Developmental Organizations

In Fiscal Year Ended March 31, 1996

	1996		1995	
	No.	\$	No.	\$
<u>ECONOMIC SECTOR</u>				
Agri-food	15	5,270,920	7	53,723
Fisheries	14	8,111,195	4	159,116
Manufacturing	77	7,973,719	133	2,731,355
General/Service	<u>102</u>	<u>3,185,103</u>	<u>169</u>	<u>829,680</u>
	<u>208</u>	<u>24,540,937</u>	<u>313</u>	<u>3,773,874</u>

TYPE OF ASSISTANCE

Industrial Mall	27	279,986	26	252,844
Rental Incentive	5	28,869	8	105,384
Equity Investors Incentive	9	306,860	11	208,710
Enterprise Assistance	10	464,082	27	756,691
New Entrepreneur Loan*	67	841,667	39	467,200
Strategic Business Dev.	20	221,779	0	0
Micro Business Assistance	43	261,168	0	0
Strategic Infrastructure Fund	27	22,136,526	0	0
Small Business Dev.	0	0	59	678,885
Small Business Counselling	0	0	107	37,670
Students in Business	0	0	29	67,990
Graduates in Business	0	0	5	28,500
Tax Incentives - Slemon Park	<u>0</u>	<u>0</u>	<u>2</u>	<u>1,170,000</u>
	<u>208</u>	<u>24,540,937</u>	<u>313</u>	<u>3,773,874</u>

*Interest free repayable loans (first year only).

Approved Marketing Assistance to Develop and Expand Markets for Island Products

In Fiscal Year Ended March 31, 1996

	1996		1995	
	No.	\$	No.	\$
<u>ECONOMIC SECTOR</u>				
Agri-food	23	119,880	56	302,577
Fisheries	47	172,153	60	258,834
Manufacturing	62	260,081	79	263,660
General	<u>24</u>	<u>80,431</u>	<u>31</u>	<u>291,771</u>
	<u>156</u>	<u>632,545</u>	<u>226</u>	<u>1,116,842</u>
<u>TYPE OF ASSISTANCE</u>				
Product Development & Promotion	0	0	127	540,545
Research	0	0	10	77,998
Comm. & Evaluation	<u>0</u>	<u>0</u>	<u>2</u>	<u>107,400</u>
	0	0	139	725,943
Strategic Market Dev.	52	253,928	87	390,899
Small Business (on Island)	2	2,190	0	0
Export Development	<u>102</u>	<u>376,427</u>	<u>0</u>	<u>0</u>
	<u>156</u>	<u>632,545</u>	<u>226</u>	<u>1,116,842</u>

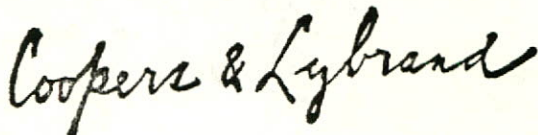
AUDITORS' REPORT

To the Minister of Economic Development

We have audited the consolidated balance sheet of Enterprise P.E.I. as at March 31, 1996 and the consolidated statements of income, retained earnings and changes in financial position 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants
June 6, 1996

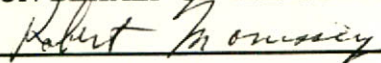
ENTERPRISE P.E.I.

Consolidated Balance Sheet

As at March 31, 1996

	1996 \$	1995 \$
ASSETS		
Current Assets		
Cash (note 18)	11,438,195	12,986,479
Accounts receivable	1,446,915	1,052,377
Grant receivable	3,395,529	-
Prepaid expenses	599,827	190,622
Short-term loans receivable (note 3)	11,984,803	11,808,229
Due from the Province of Prince Edward Island (note 4)		
- Current operations	520,992	2,651,104
	<hr/>	<hr/>
	29,386,261	28,688,811
Due from the Province of Prince Edward Island (note 4)		
- Provision for possible losses	7,392,093	12,437,930
Leased Property (note 5)	20,981,386	26,705,885
Property Holdings (note 6)	4,177,855	4,214,667
Fixed Assets (note 7)	36,533,880	31,353,170
Mortgage Loans Receivable (note 8)	75,168,380	58,169,684
Investment in Non-Marketable Securities (note 9)	2,968,758	3,569,925
Funds Held in Trust (note 10)	8,531,660	7,112,412
	<hr/>	<hr/>
	185,140,273	172,252,484
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	7,955,458	6,848,111
Deferred revenue	34,774	39,084
Short-term promissory notes (note 11)	27,921,535	45,359,817
Current portion of notes payable	6,109,845	6,728,453
	<hr/>	<hr/>
	42,021,612	58,975,465
Funds Held in Trust (note 10)	8,531,660	7,112,412
Notes Payable, less current portion (note 12)	93,332,555	67,908,548
Deferred Credits (note 13)	40,552,466	37,625,441
	<hr/>	<hr/>
	184,438,293	171,621,866
Contingent Liabilities (note 14)		
SHAREHOLDERS' EQUITY		
Contributed Surplus	366,040	366,040
Retained Earnings	335,940	264,578
	<hr/>	<hr/>
	701,980	630,618
	<hr/>	<hr/>
	185,140,273	172,252,484

SIGNED ON BEHALF OF THE CORPORATION


Minister

ENTERPRISE P.E.I.

Consolidated Statement of Retained Earnings For the Year Ended March 31, 1996

	1996 \$	1995 \$
RETAINED EARNINGS - BEGINNING OF YEAR	264,578	239,745
Net revenue for the year	71,428	28,783
	336,006	268,528
Excess revenue repayable to Province of Prince Edward Island (note 4)	66	3,950
RETAINED EARNINGS - END OF YEAR	335,940	264,578

ENTERPRISE P.E.I.
Consolidated Statement of Income
For the Year Ended March 31, 1996

	Budget (Unaudited) 1996 \$	Actual 1996 \$	Actual 1995 \$
Revenue			
Grants from Province	29,821,800	27,669,100	40,094,510
Interest from borrowers	11,132,000	7,526,108	7,521,349
Interest from deposits	121,100	1,117,051	662,562
Agricultural leases	-	2,264,606	2,840,042
Park operations	647,900	554,309	521,879
Miscellaneous	-	267	2,427
Land sales	-	37,508	-
Project revenues	450,000	625,877	1,548,946
	<u>42,172,800</u>	<u>39,794,826</u>	<u>53,191,715</u>
Expenses			
Administration	4,731,300	5,165,556	4,734,669
Business Development	18,294,600	16,085,214	20,766,011
Market development and research	3,098,100	-	870,643
Development organizations	2,722,000	6,423,912	13,951,716
Investment development	-	-	329,557
Property operations	1,058,300	1,100,910	1,095,476
Interest on funds borrowed	10,723,900	10,022,664	10,366,689
Land sales	-	-	29,315
Provision for possible losses	1,544,600	925,142	1,018,856
	<u>42,172,800</u>	<u>39,723,398</u>	<u>53,162,932</u>
EXCESS REVENUE FOR THE YEAR	-	71,428	28,783

ENTERPRISE P.E.I.

Consolidated Statement of Changes in Financial Position For the Year Ended March 31, 1996

	1996 \$	1995 \$
Operating Activities		
Excess revenue for the year	71,428	28,783
Items not affecting cash:		
Depreciation and amortization	556,594	364,026
Loss (gain) on disposal of property holdings	(37,508)	27,335
Decrease in due from the Province of Prince Edward Island - provision for possible losses	5,045,837	2,274,225
Reduction in carrying value of investment in non-marketable securities	1,323,666	1,084,922
	<u>6,960,017</u>	<u>3,779,291</u>
Net change in non-cash working capital balances related to operations:		
- increase in grant receivable	(3,395,529)	-
- decrease (increase) in accounts receivable	(394,538)	256,235
- decrease in inventory	-	533,520
- increase in prepaid expenses	(409,205)	(33,126)
- increase in short-term loans receivable (net)	(176,574)	(5,216,375)
- increase (decrease) in accounts payable and accruals	1,107,347	(2,639,108)
- decrease in deferred revenue	(4,310)	(221,893)
- increase (decrease) in due from Province of P.E.I. - current operations	2,130,046	(2,333,588)
	<u>5,817,254</u>	<u>(5,875,044)</u>
Financing Activities		
Increase in deferred credits	6,024,250	13,887,033
Decrease in leased property (net)	5,724,499	7,921,136
Decrease (increase) in mortgage loans receivable (net)	(16,998,697)	6,726,142
Advance from Province of P.E.I.	-	1,300,000
Increase in funds held in trust	1,419,248	6,107,006
Proceeds on short-term notes and notes payable	32,412,317	13,069,602
Retirement of short-term notes and notes payable	(25,045,200)	(23,015,752)
	<u>3,536,417</u>	<u>25,995,167</u>
Investing Activities		
Increase in fixed assets	(8,380,667)	(1,445,922)
Additions to and purchases of property holdings	(2,089,036)	(1,317,237)
Reductions of and proceeds on disposal of property holdings	1,709,495	2,380,695
Purchase of investment in private companies	(942,499)	(3,010,911)
Proceeds on disposal of investments	220,000	1,980
	<u>(9,482,707)</u>	<u>(3,391,395)</u>
Increase (Decrease) in Cash and Funds Held in Trust	<u>(129,036)</u>	<u>16,728,728</u>
Cash and Funds Held in Trust - Beginning of Year	<u>20,098,891</u>	<u>3,370,163</u>
Cash and Funds Held in Trust - End of Year	<u>19,969,855</u>	<u>20,098,891</u>

ENTERPRISE P.E.I.
Notes to Consolidated Financial Statements
For the Year Ended March 31, 1996

1. Accounting Policies

The financial statements of Enterprise P.E.I. have been prepared in accordance with generally accepted accounting principles. The accounting principles are summarized as follows:

a. General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Environmental Industrial Services Inc., Corporate Services Ltd. and Souris Food Park Development Corporation, all having year ends of March 31, 1996.

b. Leased Property

Leased property represents the purchase price paid to acquire agricultural property based on appraised market value at the inception of the lease. There is an operating lease negotiated with the lessee for a maximum of 5 years at a rate of interest tied to commercial lending rates. The lease may be renewed for one five-year term after which time the lessee must repurchase the property.

c. Property holdings, fixed assets and assets under construction

Property holdings are valued on a property by property basis at the lower of cost, net of government grants and depreciation, and anticipated realizable value.

Office furniture and equipment and computer equipment are fully expensed in the year of acquisition by the parent company. The amount expensed during the year ended March 31, 1996 was \$110,918 (1995 - \$128,852).

Proceeds on the sale of industrial sites are recorded as a reduction in the carry value of the asset.

Subsidiaries record fixed assets at cost.

d. Depreciation

(i) Property holdings

Buildings held for resale that are being leased or rented and industrial malls are depreciated using the straight-line method at the annual rates of 7% and 4%.

Industrial sites and certain assets held for resale that are not being leased or rented are not depreciated.

(ii) Fixed assets

Fixed assets are depreciated using the declining balance method and the straight-line method at annual rates ranging from 4% to 20% as indicated in note 7.

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements For the Year Ended March 31, 1996

1. Accounting Policies (cont'd)

d. Depreciation (cont'd)

(ii) Fixed assets (cont'd)

Assets under construction are not depreciated until construction of the assets is substantially complete.

A full year's depreciation is recorded in the year of acquisition.

e. Mortgage loans receivable

Mortgage loans consist of loans issued to Prince Edward Island enterprises for purposes of acquiring assets. These loans are issued at long-term interest rates and are repayable over various terms to a maximum of 30 years.

f. Investments in non-marketable securities

Investment in private companies

One-half of investments made under the small business equity program are included in the balance sheet as share investments. The remaining one-half of the investments approved are accounted for as a business development program expense on the statement of operations. Any recovery exceeding the balance in share investments is taken into revenue when received.

The small business equity investments and other equity investments are written down to reflect estimated realizable value when an impairment in their carrying values becomes evident. Write downs are included in an enterprise assistance program expense under incentive programs.

A subsidiary company has a 33% and a 25% interest in two private corporations.

These investments are being carried at a nominal value of \$1 as the companies are in the early stages of developing various technology related products, processes, and marketing initiatives.

g. Short-term loans receivable

Working capital loans bear interest at prime plus 1 3/4% and are repayable at the end of each sector's operating season.

h. Programs assistance payable

Provincially funded non-cost shared program assistance is expensed and included in accrued liabilities when approved and accepted.

ENTERPRISE P.E.I.
Notes to Consolidated Financial Statements
For the Year Ended March 31, 1996

1. Accounting Policies (cont'd)

i. Vacation Pay

Enterprise P.E.I. does not record accrued vacation pay as this is normally a non-cash expenditure that is funded through operating grants from the Province. To record the accrued vacation liability of \$143,082 at March 31, 1996, Enterprise P.E.I. would also have to record an offsetting receivable from the Province as the Province funds any excess expenses for the year. However, the Province will not recognize this liability until such time that it becomes payable. A subsidiary company has recorded accrued vacation pay in order to match expenses to revenue derived from project recoveries.

j. Provision for possible losses

A provision for possible losses is determined annually based on historical collection experience and a review of loans, guarantees, share investment portfolio and property held for resale on a specific identification basis. Loans identified as impaired are classified as non-current loans and are included with mortgage loans receivable (note 8). Interest revenue is not accrued for accounting purposes on loans when a write-off is anticipated.

The provision for possible losses is recorded as an amount due from the Province.

Enterprise P.E.I. records as revenue the annual budgeted provision for current year's possible losses. The budgeted provision for possible losses is established as part of the normal budget process and is updated to reflect known changes as they become evident during the year. Any variance of the actual provision from the updated budgeted provision is recorded as an amount "Due From (To) The Province - Current Operations" (note 4).

k. Deferred credits

Enterprise P.E.I. has adopted the policy that contributions received towards the acquisition of fixed assets are being deferred and amortized to income on the same basis as the related fixed assets are depreciated.

l. Revenue recognition

Enterprise P.E.I. follows the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's estimated profit based on the expenditures incurred and work completed on each contract in progress.

Billings accrued at year end to recognize revenue under the percentage-of-completion basis of accounting when work in progress is in excess of actual billings generated are recorded as accrued revenue. Billings generated in excess of the related work in progress at year end are recorded as deferred revenue.

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements For the Year Ended March 31, 1996

2. Status of the Corporation

Enterprise P.E.I. was incorporated as a Crown Corporation in 1993 pursuant to the Enterprise P.E.I. Act. The financial results of Enterprise P.E.I. are included in the public accounts of the Province of Prince Edward Island.

3. Short-Term Loans Receivable

	1996 \$	1995 \$
Working capital loans	12,669,389	12,512,216
Advance to Garden Province Meats Inc.	518,000	518,000
	13,187,389	13,030,216
Less: Provision for possible losses	1,202,586	1,221,987
	11,984,803	11,808,229

4. Due from the Province of Prince Edward Island

	1996 \$	1995 \$
a. Current Operations		
Excess revenue for the year	(66)	(3,950)
Excess funds advanced by the Province of Prince Edward Island	(98,400)	(385,250)
Excess of current year's forecast for possible losses over actual provision for possible loss	619,458	539,744
Special warrant (note 20)	-	2,500,560
	520,992	2,651,104
b. Provision for Possible Losses		
Balance - beginning of year	12,437,930	16,012,155
Current year's expense	925,142	1,018,856
	13,363,072	17,031,011
Less: Write-offs during the year	5,970,979	3,293,081
Advances from the Province of Prince Edward Island	-	1,300,000
	5,970,979	4,593,081
Balance - end of year	7,392,093	12,437,930

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements For the Year Ended March 31, 1996

5. Leased Property

	1996 \$	1995 \$
Agricultural leases	21,562,183	27,864,352
Less: Provision for possible losses	580,797	1,158,467
	<u>20,981,386</u>	<u>26,705,885</u>

6. Property Holdings

	1996			
	Cost	Accumulated depreciation and grants	Net	1995 Net
	\$	\$	\$	\$
Industrial sites	3,559,960	2,938,096	621,864	709,264
Industrial malls	3,365,788	2,297,251	1,068,537	1,281,679
	<u>6,925,748</u>	<u>5,235,347</u>	1,690,401	1,990,943
Foreclosed projects			336,413	364,198
Land held for resale			572,613	216,839
Buildings and equipment held for resale or under lease purchase options			2,005,513	2,280,078
			<u>4,604,940</u>	<u>4,852,058</u>
Less: Provision for possible losses - foreclosed projects			336,413	364,198
- land, building and equipment held for resale			90,672	273,193
			<u>427,085</u>	<u>637,391</u>
			<u>4,177,855</u>	<u>4,214,667</u>

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements

For the Year Ended March 31, 1996

7. Fixed Assets

	Rate %	1996			1995
		Cost \$	Accumulated depreciation \$	Net \$	Net \$
Environmental Industrial Services Inc.					
McCain's Plant					
Land and land improvements	8% DB	1,565,489	442,863	1,122,626	1,220,246
Soft costs	4% DB	3,230,656	471,964	2,758,692	2,881,359
Buildings	4% DB	5,984,130	900,842	5,083,288	5,295,092
Equipment	20% DB	2,842,770	1,677,333	1,165,437	1,456,796
		<u>13,623,045</u>	<u>3,493,002</u>	<u>10,130,043</u>	<u>10,853,493</u>
Cavendish Plant					
Land improvements	8% DB	1,263,042	155,209	1,107,833	1,202,762
Soft costs	4% DB	7,141,437	445,672	6,695,765	6,976,816
Building	4% DB	1,296,241	80,886	1,215,355	1,265,995
Equipment	20% DB	9,792,855	2,869,363	6,923,492	8,619,997
Equipment - upgrade	20% DB	1,622,038	-	1,622,038	-
Soft costs - upgrade	4% DB	20,759	-	20,759	-
		<u>21,136,372</u>	<u>3,551,130</u>	<u>17,585,242</u>	<u>18,065,570</u>
Small Fry Plant					
Land	-	7,260	-	7,260	-
Soft costs	4% DB	292,029	1,458	290,571	81,156
Building	4% DB	2,487,267	12,436	2,474,831	-
Equipment	20% DB	115,500	2,888	112,612	-
		<u>2,902,056</u>	<u>16,782</u>	<u>2,885,274</u>	<u>81,156</u>
		<u>37,661,473</u>	<u>7,060,914</u>	<u>30,600,559</u>	<u>29,000,219</u>
F.T.C. Enterprises Limited					
Building	5% SL	2,451,313	811,085	1,640,228	1,737,603
Pilot plant and laboratory equipment	5% and 10% SL	1,389,292	967,052	422,240	444,582
Laboratory supplies	50% SL	120,525	120,525	-	-
Computer and audio visual equipment	33 1/3% SL	340,574	325,286	15,288	50,868
Office furniture and equipment	20% SL	130,368	115,241	15,127	4,837
		<u>4,432,072</u>	<u>2,339,189</u>	<u>2,092,883</u>	<u>2,237,890</u>

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements
For the Year Ended March 31, 1996

7. Fixed Assets (cont'd)

	1996			1995
	Rate %	Cost \$	Accumulated depreciation \$	Net \$
Souris Food Park Development Corporation - Assets under Construction				
Dim Sum Plant				
Soft costs		255,936	-	255,936
Souris Seafood Plant				
Soft costs		251,340	-	251,340
Cold storage		679,517	-	679,517
		930,857	-	930,857
Souris Food Park Infrastructure				
Waste treatment - soft costs		35,887	-	35,887
- equipment		387,705	-	387,705
Land		272,556	-	272,556
Land improvements		911,928	-	911,928
Soft costs		1,045,569	-	1,045,569
		2,653,645	-	2,653,645
		3,840,438	-	3,840,438
		45,933,983	9,400,103	36,533,880
				31,353,170
DB - declining balance SL - straight line				

8. Mortgage Loans Receivable

	1996 \$	1995 \$
Mortgage loans receivable		
Agriculture	13,747,460	18,959,087
New Farmer	305,295	297,218
Tourism	12,988,616	17,047,485
Manufacturing and processing	7,882,585	8,797,667
Fisheries	6,796,113	8,129,363
Small business	6,220,018	7,955,133
Blueberry	2,936,796	-
Strategic economic development	25,597,825	-
Other	2,930,931	1,027,026
	79,405,639	62,212,979
Less: Provision for possible losses	4,237,259	4,043,295
	75,168,380	58,169,684

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements For the Year Ended March 31, 1996

8. Mortgage Loans Receivable (cont'd)

Included in other mortgage loans receivable at March 31, 1996 are \$2,424,521 in non-current loans. These loans have a related provision for possible losses at March 31, 1996 of \$656,000.

9. Investment in Non-Marketable Securities

	1996 \$	1995 \$
a. Private companies		
840 Class A preferred shares of Amalgamated Holdings	2,679,812	7,898,312
Small Business Equity program	1,191,699	279,200
Private corporations	1	1
	<hr/> 3,871,512	<hr/> 8,177,513
Less: Provision for possible losses	902,754	5,361,254
	<hr/> 2,968,758	<hr/> 2,816,259
b. Other		
3,862 Class B preferred shares of Garden Province Meats Inc., net of write-downs of \$3,969,000 (1995 - \$3,215,334)	-	753,666
	<hr/> 2,968,758	<hr/> 3,569,925

10. Funds Held in Trust

Under the terms of an agreement between Corporate Services Ltd. and Island Investment Development Inc., and Prince Edward Island Government Economic Development Fund (No. III) Inc. (Island Fund III), Corporate Services Ltd. is to act as the Escrow Agent for investors of two \$30,000,000 venture capital fund offerings.

Corporate Services Ltd. receives the subscription forms from potential investors and holds the funds in trust until the commencement date. The commencement date is to be established within 100 days of receipt of twelve subscriptions. On the commencement date, the Escrow Agent shall:

- advance to Island Investment Development Inc.
 - 70% of subscription proceeds to be reinvested;
 - 10% of subscription proceeds to be used to cover offering and operating costs;

Interest earned on the account while the funds are in escrow is the property of Island Investment Development Inc.

- establish a repayment account to retain on deposit the remaining 20% of the investment proceeds to be invested in a liquid, high-rate investment account for the purpose of refunding rejected investors. Interest earned on the repayment account accrues to the benefit of the specific projects or Island Investment Development Inc. and not Corporate Services Ltd.

Corporate Services Ltd. also administers a sinking fund for a non-related company.

ENTERPRISE P.E.I.
Notes to Consolidated Financial Statements
For the Year Ended March 31, 1996

11. Short-Term Promissory Notes

Short-term promissory notes are issued to the Province of Prince Edward Island with interest set monthly based on the Province's short-term lending rate in existence at the first day of the month. These notes are renewed on an ongoing basis with interest payable monthly.

12. Notes Payable

	1996 \$	1995 \$
Notes payable - long-term	99,442,400	74,637,001
Less: Current portion	6,109,845	6,728,453
	<u>93,332,555</u>	<u>67,908,548</u>

The notes payable - long-term are issued to the Province of Prince Edward Island and have various repayment terms and interest rates ranging from 6.6875% to 13.65%.

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as indicated below. Certain notes becoming due during the next five years have been assumed to be refinanced under similar terms:

	\$
Year ending March 31, 1997	6,109,845
1998	7,225,155
1999	7,560,671
2000	7,941,203
2001	8,677,410

13. Deferred Credits

	1996			1995
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Environmental Industrial Services Inc.				
McCain's Plant				
Federal Government	9,380,000	2,429,548	6,950,452	7,442,979
Provincial Government	4,205,321	1,056,301	3,149,020	3,377,963
McCain Foods Ltd.	37,723	7,153	30,570	32,551
	<u>13,623,044</u>	<u>3,493,002</u>	<u>10,130,042</u>	<u>10,853,493</u>
Cavendish Plant				
Federal Government	12,245,502	2,263,163	9,982,339	11,369,985
Provincial Government	7,248,073	1,287,967	5,960,106	6,322,675
Provincial Government - upgrade	3,060,000	-	3,060,000	-
	<u>22,553,575</u>	<u>3,551,130</u>	<u>19,002,445</u>	<u>17,692,660</u>

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements For the Year Ended March 31, 1996

13. Deferred Credits (cont'd)

	1996			1995
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Small Fry Plant				
Federal Government	2,337,344	12,719	2,324,625	325,000
Provincial Government	746,744	4,063	742,681	281,156
	<u>3,084,088</u>	<u>16,782</u>	<u>3,067,306</u>	<u>606,156</u>
	<u>39,260,707</u>	<u>7,060,914</u>	<u>32,199,793</u>	<u>29,152,309</u>
F.T.C. Enterprises Limited				
Building	2,349,320	778,983	1,570,337	1,662,612
Pilot plant and laboratory equipment	1,055,271	793,164	262,107	352,520
Computer and audio visual equipment	63,550	63,550	-	-
Office furniture and equipment	53,063	53,063	-	-
	<u>3,521,204</u>	<u>1,688,760</u>	<u>1,832,444</u>	<u>2,015,132</u>
Souris Food Park Development Corporation				
Federal	3,520,229	-	3,520,229	-
Provincial	3,000,000	-	3,000,000	6,458,000
	<u>6,520,229</u>	<u>-</u>	<u>6,520,229</u>	<u>6,458,000</u>
	<u>49,302,140</u>	<u>8,749,674</u>	<u>40,552,466</u>	<u>37,625,441</u>

14. Contingent Liabilities

As of March 31, 1996, Enterprise P.E.I. was contingently liable under loan guarantees in the amount of \$2,505,736 (1995 - \$1,525,696) for which Enterprise P.E.I. has included \$208,358 (1995 - \$75,000) in its provision for possible losses.

15. Commitments

Small Business Development Incentives approved but not disbursed at March 31, 1996, amount to \$204,134 (1995 - \$228,618).

The Corporation has one year remaining in an agreement with Slemon Park Corporation to provide an annual grant of \$1,000,000.

ENTERPRISE P.E.I.

Notes to Consolidated Financial Statements For the Year Ended March 31, 1996

15. Commitments (cont'd)

During the year, the corporation entered into an agreement with Atlantic Tourism Institute to provide \$525,000 in funding over a three-year period beginning in the March 31, 1996 year. The corporation is committed to providing funding of \$178,334 in 1997 and \$96,666 in 1998.

The minimum annual lease payments under three operating leases over the next five years aggregates \$3,317 per year.

F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the lease of land upon which the corporation constructed its facilities. The lease cost is \$1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

16. Funding

Environmental Industrial Services Inc. has been incorporated to construct three industrial wastewater treatment facilities estimated to cost \$39,800,000 (1995 - \$36,800,000). The present agreements have a cost sharing ratio of \$26,110,000 (1995 - \$24,010,000) federally and \$13,690,000 (1995 - \$12,790,000) provincially to a maximum of \$39,800,000.

17. Operating Agreements

Environmental Industrial Services Inc. has agreements with McCain Foods Limited and Irving Pulp & Paper Limited to operate wastewater treatment facilities until December 2000 and 2001, respectively, and stipulate that the companies shall pay Environmental Industrial Services Inc. a user fee equal to the operating costs of the facilities excluding interest and depreciation charges.

18. Restricted Cash

Included in the corporation's cash and short-term investments balance is \$1,300,000 of funds held in trust by a third party to pay a liability of the corporation.

19. Related Party Transactions

Included in accounts receivable is \$501,460 (1995 - \$76,446) due from Province of Prince Edward Island.

Included in accounts payable and accrued liabilities is \$350,072 that is due to a related company.

ENTERPRISE P.E.I.
Notes to Consolidated Financial Statements
For the Year Ended March 31, 1996

19. Related Party Transactions (cont'd)

Included in accounts payable and accrued liabilities are the following amounts due to related parties:

	1996 \$	1995 \$
Accrued interest payable to Province of Prince Edward Island	155,498	215,626
Amounts payable to associated company under common control	838,132	31,865
	993,630	247,491

Included in expenses is \$10,485,640 (1995 - \$11,485,999) in interest paid to Province of Prince Edward Island.

The above transactions were recorded in the normal course of operations and measured on the same terms as transactions with unrelated parties.

During the year, one of the company's subsidiaries received \$3,458,900 (1995 - \$13,744,152) in grants through Enterprise P.E.I. from its shareholder, the Province of Prince Edward Island. These grants have been recorded as deferred credits. One of the subsidiaries returned \$3,458,000 in grants to Enterprise P.E.I. in 1996 as a result of a change in funding arrangements between the Province and the Federal Government. The return of this grant has been treated as a reduction in the business development expense.

20. Prior Period Adjustment

As a result of a special warrant issued in January 1996 to Enterprise P.E.I. from the Province of Prince Edward Island in the amount of \$2,500,560 for the year ended March 31, 1995, the 1995 comparative figures of due from Province of Prince Edward Island and grants from Province have been restated to show a retroactive increase of \$2,500,560. Since the special warrant related to the financing of special projects for Island Investment Development Inc. and the funds were in turn granted to Island Investment Development Inc., the 1995 comparative figures for accounts payable and accrued liabilities and business development expense have been restated to show an increase of \$2,500,560.

21. Comparative Figures

Certain figures in the 1995 financial statements have been reclassified to conform with the basis of presentation adopted for the current year.

