NOVA SCOTIA

Public Accounts

VOLUME 2–AGENCIES AND FUNDS

for the fiscal year ended March 31, 2005

The Honourable Peter G. Christie,
Minister of Finance

Printed by Order of the Legislature
Halifax, Nova Scotia, 2005

PROVINCE OF NOVA SCOTIA

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AGENCIES AND FUNDS

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of 3052155 Nova Scotia Limited as at March 31, 2005 and the statement of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG, LLP
Chartered Accountants

June 22, 2005

3052155 NOVA SCOTIA LIMITED

Balance Sheet
March 31, 2005, with comparative figures for 2004

ASSETS

		2005		2004
		(In thousands)		
Cash and short-term investments	$	18,681	$	19,172
Other assets (note 2)		380		384
	$	19,061	$	19,556

LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIENCY)

		2005		2004
Provision for site restoration (note 3)	$	19,517	$	9,100
Payables and accruals		8		780
Due to Province of Nova Scotia		79		79
		19,604		9,959
Shareholder's equity (deficiency):				
Capital stock:				
Authorized: 100,000 common shares without par value				
Issued and outstanding: 1,000 common shares		1		1
Contributed surplus (note 4)		8,978		8,978
Retained earnings (deficit)		(9,522)		618
		(543)		9,597
	$	19,061	$	19,556

See accompanying notes to financial statements.

3052155 NOVA SCOTIA LIMITED

Statement of Operations and Retained Earnings (Deficit)
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	(In thousands)	
Revenue:		
Interest income	$ 408	$ 277
Sundry income	502	434
	910	711
Expenses:		
Insurance	148	65
General and administrative	91	28
	239	93
Earnings before the undernoted	671	618
Abandonment expense	(10,811)	---
Net earnings (loss)	(10,140)	618
Opening retained earnings	618	---
Ending retained earnings (deficit)	$ (9,522)	$ 618

Statement of Cash Flows
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	(In thousands)	
Cash derived from (applied to):		
Operating:		
Net earnings (loss)	$ (10,140)	$ 618
Changes in non-cash operating working capital items:		
Prepaids and other assets	4	(383)
Payables and accruals	(772)	780
Due to Province of Nova Scotia	---	79
Due to Nova Scotia Resources Limited.	---	(12,802)
	(10,908)	(11,708)
Financing:		
Contributed surplus received from shareholder (note 4)	---	8,978
Investing:		
Increase in provision for site restoration.	10,417	9,100
Increase (decrease) in cash.	(491)	6,370
Cash and short-term investments, beginning of year.	19,172	12,802
Cash and short-term investments, end of year.	$ 18,681	$ 19,172

Supplemental cash flow information (note 5)

See accompanying notes to financial statements.

Notes to Financial Statements
Year Ended March 31, 2005

The Company was incorporate in 2001 for the purpose of holding and administering various assets and obligations transferred from Nova Scotia Resources Limited prior to the sale of that company's shares.

1. Significant accounting policies:

(a) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates. Expenses were recorded in Nova Scotia Resources (Ventures) Limited prior to the provision being transferred to the Company.

(b) Measurement uncertainty:

The amount recorded for site restoration is based on estimates of future costs. By its nature, this estimate is subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

2. Other assets:

	2005	2004
	(In thousands)	
Accounts receivable	$ 81	$ 26
Prepaid expenses	294	353
Other assets	5	5
	$ 380	$ 384

3. Provision for site restoration:

	2005	2004
	(In thousands)	
Cohasset/Panuke Project	$ 19,517	$ 9,100

The Cohasset/Panuke Project ceased producing oil in 1999.

The carrying value of the provision for remaining site restoration costs for the Cohasset/Panuke Project is based on abandonment studies conducted by independent third parties. The Company is a nominee of the Province of Nova Scotia with respect to this obligation. The Company's share of the cost of site restoration, based on the remediation option chosen, has been estimated at $19,517,000. However, based on the unpredictable nature of the environment in which the work is being performed this liability could range between $18 and $22 million.

The Company has assumed an obligation for a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of $17.5 million as evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project. This note is guaranteed by the Province of Nova Scotia.

4. Contributed surplus:

In anticipation of the sale of the shares of Nova Scotia Resources Limited, many of the monetary items from that company, together with the obligation for site restoration for the Cohasset/Panuke project, amounting to $8,978,000, were transferred from the Province of Nova Scotia as contributed surplus.

5. Supplemental cash flow information:

	2005	2004
	(In thousands)	
Cash received:		
Interest	$ 408	$ 277

6. Financial instruments - fair values:

The fair value of the Company's other assets, cash and short-term investments and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

7. Income taxes:

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

AUDITORS' REPORT

To The Shareholder of
AgraPoint International Inc.

We have audited the balance sheet of Agrapoint International Inc. as at March 31, 2005 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company'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 company as at March 31, 2005 and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of Chartered Accountants.

WBLI
Chartered Accountants

Bedford, Nova Scotia
May 14, 2005

AGRAPOINT INTERNATIONAL INC.

Balance Sheet
as at March 31, 2005

		2005		2004
ASSETS				
CURRENT ASSETS				
Cash	$	268,061	$	119,459
Short term investments (market value $337,653; 2004 - $995,842) (note 4)		338,268		953,225
Accounts receivable		231,091		127,548
HST recoverable (note 5)		10,160		315,772
Inventory		665		2,784
Prepaid expenses		39,499		20,045
Deferred expenses - Agrifest		---		71,722
		887,744		1,610,555
PROPERTY, PLANT AND EQUIPMENT (note 6)		247,166		303,503
INVESTMENT IN GLOBAL FOOD EXCELLENCE INC.		25		---
LONG-TERM INVESTMENTS (note 7)		568,691		---
OTHER LONG TERM ASSETS (note 8)		10,266		17,108
	$	1,713,892	$	1,931,166
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	233,683	$	207,314
Current portion of capital lease obligation		---		9,049
Current portion of long-term debt		20,564		8,842
Deferred revenue - Agrifest		---		73,870
		254,247		299,075
DEFERRED GOVERNMENT ASSISTANCE (note 9)		69,427		100,082
CAPITAL LEASE OBLIGATION		---		16,273
LONG TERM DEBT (note 11)		19,364		21,369
		343,038		436,799
SHAREHOLDER'S EQUITY				
CAPITAL STOCK (note 12)		1		1
RETAINED EARNINGS		1,370,853		1,494,366
		1,370,854		1,494,367
	$	1,713,892	$	1,931,166

COMMITMENTS (note 14)

AGRAPOINT INTERNATIONAL INC.

Statement of Earnings and Retained Earnings
for the year ended March 31, 2005

		2005		2004
REVENUE				
Consulting and fee revenue (note 10)	$	2,728,762	$	2,606,595
Other		182,604		78,079
Agrifest 2004 (schedule)		411,471		---
		3,322,837		2,684,674
EXPENSES				
Advertising and promotion		79,957		41,464
Agrifest 2004 (schedule)		669,870		---
Amortization		105,601		96,001
Bad debts		334		---
Contracts		233,284		126,756
Director and meeting expenses		35,315		46,100
Dues and professional development		51,966		44,438
Industry development and workshops		33,716		39,402
Information technology		34,949		30,453
Insurance		31,149		20,678
Interest and bank charges		5,771		2,965
Interest on capital lease obligation		450		3,857
Office		58,116		46,280
Postage and courier		18,425		11,577
Professional fees		53,915		30,338
Rent and utilities		102,235		70,937
Repairs and maintenance		3,191		2,780
Salaries, wages and benefits		1,578,430		1,599,499
Supplies		22,721		9,442
Telephone		53,871		51,681
Travel		226,146		246,867
Recoverable costs		60,912		---
		3,460,324		2,521,515
EARNINGS (LOSS) FOR THE YEAR BEFORE OTHER ITEMS		(137,487)		163,159
OTHER ITEMS				
Amortization of deferred government assistance		30,655		34,195
Loss on disposal of property, plant and equipment		(16,681)		(3,999)
		13,974		30,196
NET EARNINGS (LOSS) FOR THE YEAR		(123,513)		193,355
RETAINED EARNINGS - beginning of year		1,494,366		1,301,011
RETAINED EARNINGS - end of year	$	1,370,853	$	1,494,366

AGRAPOINT INTERNATIONAL INC.

Statement of Cash Flows
for the year ended March 31, 2005

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash provided from (used in) operations		
Net earnings (loss) for the year	$ (123,513)	$ 193,355
Items in earnings not involving cash		
Amortization	105,601	96,001
Amortization of deferred government assistance	(30,655)	(34,195)
Loss on disposal of property, plant and equipment	16,681	3,999
	(31,886)	259,160
Change in noncash working capital balances		
Accounts receivable	(103,543)	(82,569)
HST recoverable	305,612	(79,663)
Inventory	2,119	(2,784)
Prepaid expenses	(19,454)	223
Deferred expenses - Agrifest	71,722	(71,722)
Accounts payable and accrued liabilities	26,369	55,716
Deferred revenue - Agrifest	(73,870)	73,870
	177,069	152,231
CASH FLOWS USED IN FINANCING ACTIVITIES		
Borrowing of long-term debt	23,444	---
Repayment of long-term debt	(13,727)	(8,842)
Repayment of obligation under capital lease	(25,322)	(7,926)
	(15,605)	(16,768)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of capital assets	(77,561)	(193,976)
Proceeds on disposal of property, plant and equipment	18,458	3,693
Acquisition of investment in Global Food Excellence Inc.	(25)	---
Net acquisition of long-term investments	(568,691)	---
Net disposal of short-term investments	614,957	94,074
	(12,862)	(96,209)
CHANGE IN CASH DURING THE YEAR	148,602	39,254
CASH - beginning of year	119,459	80,205
CASH - end of year	$ 268,061	$ 119,459

AGRAPOINT INTERNATIONAL INC.

Agrifest Project Summary Schedule
For The Year Ended March 31, 2005

	2005	2004
REVENUE		
ACOA/AAFC	$ 150,000	$ ---
Sponsors (note 13)	152,385	---
Exhibit Sales	68,305	---
Ticket Sales	40,146	---
Vendors	635	---
	411,471	---
EXPENSES		
Advertising and promotion	120,225	---
Contracts	128,416	---
Crop expenses	49,406	---
Director and meeting expenses	6,229	---
Entertainment and production	27,204	---
Equipment and land rentals	122,340	---
Food and beverage	5,696	---
Information technology maintenance	5,257	---
Insurance	4,680	---
Labour, salaries and benefits	97,718	---
Miscellaneous	976	---
Postage and courier	8,554	---
Rent	8,500	---
Services	26,481	---
Supplies	30,892	---
Travel, accommodations and meals	27,296	---
	669,870	---
NET LOSS FROM AGRIFEST	$ (258,399)	$ ---

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended March 31, 2005

1. NATURE OF OPERATIONS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. Established by the Province of Nova Scotia, AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventory
Inventory is valued at the lower of cost, determined on a first in, first out basis, and net realizable value.

Credit risk
The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company regularly monitors the balances outstanding from its customers. The customer base is made up of individual farmers and government agencies.

The company does not have a significant exposure to any individual customer or counterpart other than the Province of Nova Scotia as discussed in note 10. The company's customers vary in size and nature. The company incurred bad debt expense in the current year of $334 and nil in the prior year.

Short-term investments
Short-term investments are stated at the lower of cost or market. At year end, cost was substantially the same as the quoted market value.

Property, plant and equipment
Property, plant and equipment are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Computer equipment	30%
Computer software	100%
Furniture and fixtures	20%
Equipment under capital lease	20%
Leasehold improvements	20%

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Investment in significantly influenced entity
The company's investment in Global Food Excellence Inc., of which it owns 25% of the outstanding voting shares and over which it exercises significant influence, is accounted for by the equity method. Under this method, the investment is initially recorded at cost and is increased for the proportionate share of any post acquisition earnings and is decreased by any post acquisition losses and dividends received.

Other assets
Other assets are recorded at cost, and are amortized using the straight-line method over five years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance
Government assistance related to property, plant and equipment and other assets is deferred and amortized to earnings on the same basis as the related asset.

Revenue recognition
Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue as it is earned.

Revenue relating to the sale of goods is recorded when the risk and rewards of ownership have been transferred, which is normally the date of shipment.

Non-monetary transactions
Non-monetary transactions are recorded at the fair value of the service provided to the company.

Fair value of financial instruments
The fair value of cash, accounts receivable, shrot-term investments and accounts payable and accrued liabilities is approximately equal to their carrying value due to their short-term maturity dates.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on market interest rates for loans with similar conditions and maturities.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. INCOME TAXES

The company and its property are exempt from taxation under section 149(1)(e) of the Income Tax Act.

4. SHORT-TERM INVESTMENTS

The short-term investments are comprised of government bonds, treasury bills and other interest bearing investments.

5. HST RECOVERABLE

The balance recoverable is made up of input tax credits from the time of inception as the company was awaiting a ruling from the HST division of Canada Revenue Agency to confirm that this is the proper treatment. During the year, the company received $361,349 of the $370,624 claimed. The difference not received was expensed in the current year.

6. PROPERTY, PLANT AND EQUIPMENT

	2005			2004
	Cost	Accumulated amortization	Net	Net
Computer hardware	189,817	96,626	93,191	103,503
Computer software	80,558	67,876	12,682	16,476
Furniture and fixtures	130,058	48,908	81,150	82,581
Equipment under capital lease	---	---	---	25,765
Leasehold improvements	93,356	33,213	60,143	75,178
	$ 493,789	$ 246,623	$ 247,166	$ 303,503

7. LONG-TERM INVESTMENTS

	2005	2004
Fixed Income Imperial short-term bond pol is made up of bonds, debentures, notes or other debt instruments, of Canadian and non-Canadian issuers, with a remaining term to maturity of one to five years. The interest rate exposure for the top ten holdings ranges from 3.91% to 7.42%. The market value at March 31, 2005 is $95,883.	$ 96,674	$ ---
Imperial Canadian bond pool is made up of bonds, debentures, notes, other debt instruments (whether secured or unsecured), preferred shares and convertible preferred shares of Canadian and non-Canadian issuers. The interest rate exposure for the top ten holdings ranges from 1.30% to 6.18%. The market value at March 31, 2005 is $197,916.	199,589	---
	296,263	---
Investments in equities (market value of $265,331; 2004 - nil).	272,428	---
	$ 568,691	$ ---

8. OTHER ASSETS

	2005			2004
	Cost	Accumulated amortization	Net	Net
Web site development	$ 34,215	$ 23,949	$ 10,266	$ 17,108

During the year ending March 31, 2002, the company incurred various web-site development and creation costs. These costs have been capitalized and are being amortized using the straight-line method over five years.

9. DEFERRED GOVERNMENT ASSISTANCE

The Nova Scotia Department of Agriculture and Fisheries transferred $600,000 to the company on April 17, 2001. This amount is restricted to assist in start-up costs and to provide appropriate contingency funds for wind-up or other liabilities. It may also be used to fund specific projects identified by the Board, or for capital purchases. The portion of these funds used to acquire property and equipment and other assets amounted to $215,429 and has been recorded as deferred government assistance in these financial statements. The remaining $384,571 was recorded as reductions of the corresponding expenses in the fiscal year ending March 31, 2002.

10. ECONOMIC DEPENDENCE

The company has signed a Memorandum of Understanding with the Province of Nova Scotia to provide services as described in this document for a five year period ending in 2010. The annual fee to be paid for the services performed is $2,200,000.

11. LONG-TERM DEBT

	2005	2004
Non interest bearing, financing of leasehold improvements, is being repaid in monthly principal instalments of $737, matures in August 2007	$ 21,368	$ 30,211
Non interest bearing, financing of computer software, licenses and support, is being repaid in monthly instalments of $977, matures in October 2006 and is secured by assets with a net book value of $10,193	18,560	---
	39,928	30,211
Less current portion	20,564	8,842
	$ 19,364	$ 21,369

The approximate principal due within each of the next three years is as follows:

2006	$ 20,564
2007	15,680
2008	3,684

12. CAPITAL STOCK

	2005	2004
Authorized		
1,000,000 Common shares without nominal or par value		
1,000,000 Common shares with a par value of $1each		
Issued		
1 Common share without nominal or par value	$ 1	$ 1

13. IN-KIND CONTRIBUTIONS

During the year the company received $87,600 as in-kind contributions relating to Agrifest which has been included in sponsors revenue. The corresponding expenses of $15,000 and $72,600 have been included in advertising and promotion and contracts expense, respectively.

14. COMMITMENTS

The company is renting its office premesis in both Kentville and Truro. The long-term leases expire in April 2007 and August 2007 respectively. The annual rent is $72,735 and $33,972 respectively.

The company is leasing office equipment expiring October 2010. The annual rent is $5,876.

The Board of Directors has made a commitment to the Soil and Crop Association of Nova Scotia to provide funding for their nutrient management project at $5,000 per year for five years. No payments have yet been made.

15. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Shareholder of
AgriTECH Park Incorporated

We have audited the balance sheet of AgriTECH Park Incorporated as at March 31, 2005 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company'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 company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally acepted accounting principles.

The comparative figures for the year ended March 31, 2004 have been audited by another firm of Chartered Accountants.

Hemming Weir Casey
Chartered Accountants

Truro, Nova Scotia
May 25, 2005

AGRITECH PARK INCORPORATED

Balance Sheet
as at March 31, 2005

	2005	2004
ASSETS		
Current Assets		
Accounts receivable	$ 33,044	$ 64,048
LIABILITIES		
Current Liabilities		
Accounts payable	$ ---	$ 6,210
Due to Nova Scotia Department of Agriculture and Fisheries (Note 5).	108,474	300,454
	108,474	306,664
SHAREHOLDER'S DEFICIENCY		
Ccpital Stock (Note 6)	1	1
Deficit	(75,431)	(242,617)
	(75,430)	(242,616)
	$ 33,044	$ 64,048

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Cash Flows from Operating Activities		
Net income (loss) for the year	$ 167,186	$ (43,944)
(Increase) decrease in accounts receivable	31,004	(64,048)
Increase (decrease) in accounts payable	(6,210)	6,210
Increase (decrease) in payable to Nova Scotia Department of Agriculture and Fisheries (Note 5)	(191,980)	101,782
Cash Flows from Operating Activities and Cash, End of Year	$ ---	$ ---

AGRITECH PARK INCORPORATED

Statement of Income and Deficit
Year Ended March 31, 2005

	2005	2004
Revenue		
Conference		
Meals. . . . . $	136,111 $	136,105
Lodging.	94,124	87,165
Rental		
Facilities.	118,129	109,634
Other.	18,000	12,890
Sundry	22,163	18,216
Grants and assistance	11,250	---
	399,777	364,010
Operating Expenses		
Advertising.	2,176	2,086
Catering services.	134,497	133,355
Consulting.	40,990	---
Heat	117,295	69,509
Lights	39,297	36,572
Motor vehicle.	3,513	3,655
Office and postage	10,628	7,271
Professional Fees	4,524	---
Provision for doubtful account	10,764	---
Repairs and maintenance	87,141	95,045
Salaries and benefits.	199,147	205,585
Security	25,032	26,464
Sundry	8,007	4,862
Supplies.	8,349	5,737
Telecommunications	22,201	16,441
	713,561	606,582
Loss from operations before departmental recoveries and grants	(313,784)	(242,572)
Departmental recoveries and grants (Note 5).	480,970	198,628
Net Income (Loss) for the Year.	167,186	(43,944)
Deficit, beginning of year	(242,617)	(198,673)
Deficit, End of Year. . . . . $	(75,431)$	(242,617)

Notes to the Financial Statements
Year Ended March 31, 2005

1. Governing Status and Nature of Activities

The company, incorporated under the Nova Scotia Companies Act on December 9, 1997, operates a business development and agri-business centre in Bible Hill, Nova Scotia. In addition to offering conference facilities, AgriTECH Park's objective is to assist in the development of innovative products and services in the agricultural and environment sectors in Atlantic Canada.

2. Significant Accounting Policies

Financial Instruments

The company's financial instruments consist of accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles may require the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Capital Assets

The company applies the capitalization policies of the Province of Nova Scotia to assets and improvements purchased. No assets acquired by the company during the year meet the minimum guidelines for capitalization.

3. Income Taxes

The company is exempt for taxation under Section 149(1)(e) of the Income Tax Act.

4. Economic Dependence

The company receives significant operating contributions from, and is considered to be economically dependent on the Nova Scotia Department of Agriculture and Fisheries for its continued economic viability.

5. Related Party Transactions

The company is related to the Nova Scotia Department of Agriculture and Fisheries, as the only common share of the company is held by the Deputy Minister of this department. Transactions between these related parties are departmental recoveries and grants in the amount of $480,970 (2004 - $198,628). Amounts due to the Nova Scotia Department of Agriculture and Fisheries are disclosed separately in the financial statements.

5. Related Party Transactions (continued)

The company is related to another company by reason of a common shareholder. Transactions between these related parties are facilities rental in the amount of $32,607 (2004 - $28,906). During the year, an amount of $8,842 (2004 - $8,842) was paid by the related party on a leasehold improvements receivable and the remaining balance receivable, included in accounts receivable, at March 31, 2005 is $21,369 (2004 - $30,211).

6. Capital Stock

	2005	2004
Authorized		
50,000 Common shares		
Issued		
1 Common share	$ 1	$ 1

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of the
Annapolis Valley District Health Authority

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2005 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Annapolis Valley District Health Authority'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 District Health Authority as at March 31, 2005 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 9, 2005

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH

Statement of Financial Position
March 31, 2005

ASSETS

	Operating Fund	Capital Fund	2005 Total	2004 Total
Current				
Cash and cash equivalents	$ 6,617,207	$ 5,509,722	$ 12,126,929	$ 8,378,870
Accounts receivable (Note 3)	8,609,111	2,409,521	11,018,632	7,668,118
Inventory	1,244,326	---	1,244,326	1,110,281
Prepaid expenses	496,426	25,572	521,998	440,139
	16,967,070	7,944,815	24,911,885	17,597,408
Long-term assets (Note 4)	6,098,023	130,569	6,228,592	6,021,970
Property, plant and equipment (Note 5)	---	45,563,178	45,563,178	46,112,707
	$ 23,065,093	$ 53,638,562	$ 76,703,655	$ 69,732,085

LIABILITIES

	Operating Fund	Capital Fund	2005 Total	2004 Total
Current				
Accounts payable and accrued liabilities (Note 7)	$ 11,912,375	$ 718,120	$ 12,630,495	$ 12,832,103
Current portion of long-term debt (Note 8)	---	61,169	61,169	8,295
Revenue received in advance	5,454,016	---	5,454,016	4,666,280
	17,366,391	779,289	18,145,680	17,506,678
Long-term debt (Note 8)	---	130,956	130,956	192,125
Employee future benefits (Note 13)	5,630,467	---	5,630,467	5,328,688
Deferred capital grants (Note 9)	---	52,151,339	52,151,339	45,778,101
	22,996,858	53,061,584	76,058,442	68,805,592

FUND BALANCES

	Operating Fund	Capital Fund	2005 Total	2004 Total
Restricted	---	38,161	38,161	358,487
Unrestricted	68,235	538,817	607,052	568,006
	68,235	576,978	645,213	926,493
	$ 23,065,093	$ 53,638,562	$ 76,703,655	$ 69,732,085

Commitments (Note 10)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH

Statement of Changes in Fund Balances
Year ended March 31, 2005

	Operating Fund	Capital Fund	2005 Total	2004 Total
Restricted Fund Balances				
Balance, beginning of year. . . . . $	--- $	358,487 $	358,487 $	347,231
Transferred to the Crosbie Memorial Trust Fund	---	(320,326)	(320,326)	11,256
Balance, end of year.	---	38,161	38,161	358,487
Unrestricted Fund Balances				
Balance, beginning of year.	20,770	547,236	568,006	618,719
Transfer to restricted fund balance. . . .	---	---	---	(11,256)
Excess (deficiency) of revenues over expenses.	47,465	(8,419)	39,046	(39,457)
Balance, end of year	68,235	538,817	607,052	568,006
Total Fund Balances. . . . . $	68,235 $	576,978 $	645,213 $	926,493

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH

Statement of Operations
Year ended March 31, 2005

	Operating Fund	Capital Fund	2005 Total	2004 Total
Revenue				
Department of Health	$ 71,786,345	$ ---	$ 71,786,345	$ 67,435,064
Veterans Affairs Canada	2,259,046	---	2,259,046	2,017,269
Patient	2,239,597	---	2,239,597	2,071,182
Program recoveries.	5,928,984	---	5,928,984	4,305,734
Amortization of deferred capital grants	---	3,253,062	3,253,062	3,217,545
Other	287,548	21,669	309,217	339,686
	82,501,520	3,274,731	85,776,251	79,386,480
Expenses				
Administration and Support	3,987,273	---	3,987,273	3,821,529
Addiction.	1,779,994	---	1,779,994	1,704,662
Diagnostic Imaging	3,650,268	---	3,650,268	3,469,635
Environmental.	3,359,104	---	3,359,104	2,977,180
Finance.	814,686	---	814,686	904,175
Food and Nutrition	3,808,940	---	3,808,940	3,256,644
Health Information	1,947,870	---	1,947,870	1,874,990
Human Resources	860,133	---	860,133	877,281
Information Technology.	1,781,835	---	1,781,835	1,607,745
Laboratory	5,119,226	---	5,119,226	4,707,984
Materiel Management.	1,834,517	---	1,834,517	1,715,020
Mental Health	6,916,376	---	6,916,376	6,341,404
Nursing.	34,024,132	---	34,024,132	30,815,493
Pharmacy	807,207	---	807,207	761,581
Plant and Support.	4,980,805	---	4,980,805	4,490,239
Public Health	1,644,340	---	1,644,340	1,397,569
Rehabilitation.	1,605,875	---	1,605,875	1,410,789
Other Programs.	2,095,175	---	2,095,175	1,673,451
Amortization of Property, Plant and Equipment.	---	3,260,263	3,260,263	3,286,040
Employee Future Benefits.	623,257	---	623,257	1,827,980
Sundry.	813,042	9,141	822,183	500,243
Interest on Long-term Debt.	---	13,746	13,746	4,303
	82,454,055	3,283,150	85,737,205	79,425,937
Excess (deficiency) of revenues over expenses	$ 47,465	$ (8,419)	$ 39,046	$ (39,457)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY
OPERATING AS ANNAPOLIS VALLEY HEALTH

Statement of Cash Flows
Year ended March 31, 2005

	Operating Fund	Capital Fund	2005 Total	2004 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues over expenditures	$ 47,465	$ (8,419)	$ 39,046	$ (39,457)
Adjusted for				
Amortization of property, plant and equipment	---	3,260,263	3,260,263	3,286,040
Amortization of deferred capital grants	---	(3,253,062)	(3,253,062)	(3,217,545)
Employee future benefits (Note 13)	623,257	---	623,257	1,827,980
Payment of employee future benefits (Note 13)	(321,478)	---	(321,478)	(222,871)
Changes in noncash working capital items (Note 12)	(1,325,293)	(1,654,997)	(2,980,290)	5,879,193
	(976,049)	(1,656,215)	(2,632,264)	7,513,340
Financing				
Proceeds from capital grants (Note 9)	---	9,626,300	9,626,300	4,081,381
Proceeds from long-term debt (Note 8)	---	---	---	250,000
Transferred to the Crosbie Memorial Trust Fund	---	(320,326)	(320,326)	---
Repayment of long-term receivable	---	48,597	48,597	---
Repayment of long-term debt	---	(8,295)	(8,295)	(49,580)
	---	9,346,276	9,346,276	4,281,801
Investing				
Investment in long-term assets	(255,219)	---	(255,219)	(1,719,687)
Acquisition of property, plant and equipment	---	(2,710,734)	(2,710,734)	(3,852,091)
	(255,219)	(2,710,734)	(2,965,953)	(5,571,778)
Net cash (outflow) inflow	(1,231,268)	4,979,327	3,748,059	6,223,363
Cash and cash equivalents, beginning of year	7,848,475	530,395	8,378,870	2,155,507
Cash and cash equivalents, end of year	$ 6,617,207	$ 5,509,722	$ 12,126,929	$ 8,378,870
Supplemental cash flow information:				
Interest received (paid)	$ 98,972	$ (3,051)	$ 95,921	$ 60,126

Notes to the Financial Statements
March 31, 2005

1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000 The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The Annapolis Valley District Health Authority's mission: "Working together to support and improve the health of individuals and communities in the Annapolis Valley".

The facilities owned and operated by the District Health Authority are Annapolis Community Health Centre, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, the District Health Authority leases space to operate certain programs at the Western Kings Memorial Health Centre and other locations throughout Annapolis and Kings counties for the delivery of certain programs and services and supports five (5) Community Health Boards.

The Annapolis Valley District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

Fund accounting
Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Annapolis Valley District Health Authority's capital assets and special purpose endowment funds.

Revenue recognition
The Annapolis Valley District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

Inventory
Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

Property, plant and equipment

Purchased capital assets are recorded in the capital fund at cost. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 33%

Deferred capital grants

Deferred contributions reported in the capital fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

Employee future benefits

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, and the estimated useful life for certain items of property, plant and equipment. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- Operating funding	$ 6,235,322	$ ---	$ 6,235,322	$ 3,649,950
- Transition support program	191,033	---	191,033	191,033
- Capital grants	---	1,111,942	1,111,942	488,830
Veterans Affairs Canada	230,473	17,460	247,933	659,162
Patient care	918,960	---	918,960	688,548
HST rebates	286,601	52,996	339,597	1,095,616
Charitable foundations	115,553	252,354	367,907	187,676
Psychiatric recoveries	175,476	---	175,476	143,332
Federal grant funding	25,663	703,191	728,854	54,549
Trade	430,030	271,578	701,608	509,422
	$ 8,609,111	$ 2,409,521	$ 11,018,632	$ 7,668,118

4. LONG-TERM ASSETS

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Payroll advances	$ 327,837	$ ---	$ 327,837	$ 365,248
Employee future benefits	5,770,186	---	5,770,186	5,477,556
Fidelis House Society	---	130,569	130,569	179,166
	$ 6,098,023	$ 130,569	$ 6,228,592	$ 6,021,970

5. PROPERTY, PLANT AND EQUIPMENT

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and land improvements	$ 699,514	$ 305,039	$ 394,475	$ 398,309
Building and building service equipment	63,614,347	23,716,038	39,898,309	40,828,427
Equipment	37,806,289	32,535,895	5,270,394	4,885,971
	$ 102,120,150	$ 56,556,972	$ 45,563,178	$ 46,112,707

6. CREDIT FACILITIES

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $5.6 million. As well, the District Health Authority has available a capital line of credit in the amount of $1,025,000 with a Canadian chartered bank. As of March 31, 2005, interest charges on any overdraft accounts are prime less .75%. There were no amounts on these lines at March 31, 2005 as the consolidated bank balance (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority) was positive.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Trade payables	$ 831,416	$ 39,411	$ 870,827	$ 2,089,383
Accrued liabilities	1,415,161	678,709	2,093,870	2,525,535
Vacation pay	4,391,033	---	4,391,033	3,977,078
Salary and benefits	4,866,098	---	4,866,098	3,672,876
Miller building removal	50,308	---	50,308	203,706
Other	358,359	---	358,359	363,525
	$ 11,912,375	$ 718,120	$ 12,630,495	$ 12,832,103

8. LONG-TERM DEBT

	2005	2004
Nova Scotia Housing Development Corporation		
Interest at 7.13%, maturing December 1, 2028	$ 192,125	$ 200,420
Current portion	(61,169)	(8,295)
	$ 130,956	$ 192,125

Estimated minimum principal repayments over the next five years are expected to be as follows:

2006	$ 61,169
2007	12,448
2008	13,352
2009	14,321
2010	15,360
	$ 116,650

9. DEFERRED CAPITAL GRANTS

		2005		2004
Balance, beginning of year	$	45,778,101	$	44,914,265
Grant received for:				
Capital assets purchased		2,399,304		2,896,085
Future capital asset purchases		7,226,996		1,185,296
		55,404,401		48,995,646
Amortization of deferred capital grants		(3,253,062)		(3,217,545)
Balance, end of year	$	52,151,339	$	45,778,101

10. COMMITMENTS

Leases and Purchase Commitments

The Annapolis Valley District Health Authority has committed funds from operations for the purchase of lab and medical supplies, occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next five years are expected to be as follows:

2006	$	1,164,625
2007		927,968
2008		867,624
2009		309,049
2010		192,976
	$	3,462,242

11. PENSION PLAN

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted December 31, 2003, which showed an unfunded liability for the entire plan of $nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At this time, there was an unfunded liability. Annapolis Valley District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2005 was $2,848,156 (2004 - $2,433,696).

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Accounts receivable	$ (2,428,506)	$ (922,008)	$ (3,350,514)	$ 3,637,444
Inventory	(134,045)	---	(134,045)	(99,429)
Prepaid expenses	(71,853)	(10,006)	(81,859)	(78,187)
Accounts payable and accrued liabilities	521,375	(722,983)	(201,608)	1,195,951
Revenue receive in advance	787,736	---	787,736	1,223,414
	$ (1,325,293)	$ (1,654,997)	$ (2,980,290)	$ 5,879,193

13. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the projected benefit method pro-rated on service".

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for post retirement benefits was performed in December, 2003.

		March 31 2005		March 31 2004
Accrued benefit liability				
Accrued benefit obligation	$	4,978,421	$	4,709,499
Add unamortized actuarial experience gain		652,046		619,189
Accrued benefit liability on the statement of financial position	$	5,630,467	$	5,328,688
Net benefit costs recognized				
Current service costs	$	377,200	$	362,400
Amendment in plan terms		---		1,179,900
Interest cost		292,200		275,400
Current year amortized actuarial (gain) loss		(46,143)		10,280
Employee future benefit expense on the statement of operations	$	623,257	$	1,827,980
Payment of employee future benefits on the statement of cash flows	$	(321,478)	$	(222,871)

The significant actuarial assumptions adopted in estimating the District's accrued benefit obligation are as follows:

The discount rate used to accrue the beneift obligation and current service cost as at March 31, 2005 was 6.05% (2004 - 6.17%).

14. FINANCIAL INSTRUMENTS

Fair value

The reported values of financial instruments which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

Credit risk

The Annapolis Valley District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2005.

AUDITORS' REPORT

To the Chairperson and Members
Annapolis Valley Regional School Board

We have audited the statements of financial position, of the Annapolis Valley Regional School Board as at March 31, 2005, and the related statements of operations and accumulated surplus, change in net debt and cash flow for the year ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

With the implementation of new reporting requirements, the Board is now required to report school based funds in its financial activities. The schools derive revenues from such sources as fund raising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, we were not able to determine whether any adjustments might be necessary to school generated funds, excess of revenues over expenses or net (debt) surplus.

In our opinion, except for any adjustments, if any, which we might have determined to be necessary had we been able to satisfy outselves concerning the completeness of school based funds referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations, changes in net direct debt and cash flow for the year ended in accordance with Canadian generally accepted accounting principles for the public sector.

MORSE AND BREWSTER
Chartered Accountants

Berwick, Nova Scotia
June 17, 2005

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Statement of Financial Position
as at March 31, 2005

		2005		2004
Financial Assets				
Cash and Cash Equivalents				
Cash	$	1,764,233	$	9,863
School Based Funds (Note 2)		1,744,361		35,047
Total Cash and Cash Equivalents	$	3,508,594	$	44,910
Accounts Receivable				
Province of Nova Scotia		9,520,352		12,057,362
Government of Canada		513,278		669,325
Municipalities		---		8,058
Other		1,391,883		1,348,834
Due from Trust Funds		201,764		8,711
Total Financial Assets	$	15,135,871	$	14,137,200
Capital Assets				
Net Book Value of Capital Assets (Note 1)		55,910,424		84,145,885
Total Financial and Capital Assets	$	71,046,295	$	98,283,085
Liabilities				
Accounts payable and accrued liabilities	$	1,885,037	$	974,362
Payables and Accruals-Government				
Province of Nova Scotia		30,126		45,740
Government of Canada		2,301		15,211
Municipalities		30,206		21,051
Other		1,858,026		2,705,085
Current portion of Long-term Debt		610,690		757,637
Deferred Revenues		546,640		1,105,269
Due to Trusts		16,012		10,560
Employee pension, retirement & post employment benefits (Note 1)		7,505,000		7,505,000
Total Liabilities	$	12,484,038	$	13,139,915
Equity - Capital		55,910,424		84,145,885
Total Liabilities and Capital Equity	$	68,394,462	$	97,285,800
Net (debt)/surplus	$	2,651,833	$	997,285
Non-Financial assets				
Prepaid expenses		3,526		29,457
Accumulated surplus/(deficit) end of year	$	2,655,359	$	1,026,742
Committed Surplus				
School Budget Carry-over	$	362,266	$	---
Major Maintenance Projects		340,502		---
School Bus Funds		1,744,361		35,047
Total Committed Surplus	$	2,447,129	$	35,047
Uncommitted Surplus	$	208,230	$	991,695

Trust Funds Under Administration (Note 3)
Commitments (Note 4)

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Statement of Operations
For the Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Revenue (Schedule A)			
Province of Nova Scotia	$ 80,411,285	$ 84,220,123	$ 78,117,506
Government of Canada	1,533,182	1,472,078	1,365,442
Municipal Contributions	15,431,780	15,431,780	15,018,365
School Generated Funds (Note 2)	---	1,744,361	35,047
Other Revenues	3,707,470	4,499,963	3,334,728
Total Revenues	$ 101,083,717	$ 107,368,305	$ 97,871,088
Expenses (Schedule B)			
Total Board Governance	$ 293,532	$ 317,639	$ 267,644
Total Regional Management	3,019,012	3,252,089	2,657,330
Total School Management	9,872,914	9,429,339	8,192,884
Total Instruction	54,081,259	57,701,466	54,510,274
Total Student Support	13,242,481	13,151,754	12,778,578
Total Adult Education	1,134,804	1,081,628	1,252,518
Total Property Services	9,646,938	9,730,614	8,414,373
Total Student Transportation	7,038,233	7,019,301	6,815,196
Other Programs	2,754,544	2,775,416	2,070,333
Interest Expense	---	253,700	496,000
Total Expenses	$ 101,083,717	$ 104,712,946	$ 97,455,130
Annual Surplus /(deficit) before unusual items		2,655,359	415,958
School Board surplus/(deficit) on an expense basis		$ 2,655,359	$ 415,958
Accumulated surplus/(deficit) beginning of year:			
Previously Reported		991,695	812,085
Transfers to Trust		13,846	---
Transfers to Operating		977,849	201,301
		---	610,784
Accumulated surplus/(deficit) end of year		$ 2,655,359	$ 1,026,742
Committed Surplus			
School Budget Carry-over		$ 362,266	$ ---
Major Maintenance Projects		340,502	---
School Based Funds		1,744,361	35,047
Uncommitted Surplus		$ 208,230	$ 991,695

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Statement of Change in Net (Debt)/Surplus
For the Year Ended March 31, 2005

	2005	2004
Net (debt)/surplus beginning of year	$ 997,285	$ 380,128
Changes in the Year		
Surplus, on an Expense Basis	2,655,359	415,958
Decrease in Prepaid Expenses	25,931	420,395
Transfers	(991,695)	(201,301)
Previous yrs. Restricted cash included in current year surplus	(35,047)	(17,895)
Net (debt)/surplus end of year	$ 2,651,833	$ 997,285

Statement of Cash Flow
For the Year Ended March 31, 2005

	2005	2004
Operating Transactions		
Annual surplus	$ 2,655,359	$ 415,958
Change in Prepaid Expenses	25,931	420,395
Change in Deferred Revenue	(558,629)	41,167
Change in Accounts Receivable	2,465,013	783,367
Change in Accounts Payable	49,699	(2,602,382)
Change in Long-term Debt	(146,947)	381,589
Transfers	(991,695)	(201,301)
Previous yrs. Restricted cash included in current year surplus	(35,047)	(17,895)
Cash Provided by Operating Transactions	3,463,684	(779,102)
Increase (decrease) in cash and cash equivalents	3,463,684	(779,102)
Cash and cash equivalents at beginning of year	44,910	824,012
Cash and cash equivalents at end of year	$ 3,508,594	$ 44,910

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

Schedule A - Supplementary Detail of Revenues
For the Year Ended March 31, 2005

Revenue	2005 Budget	2005 Actual	2004 Actual
Province of Nova Scotia:			
Operating	$ 72,306,500	$ 72,724,457	$ 69,912,290
Restricted	7,065,040	7,061,813	6,660,391
Capital	226,900	454,260	90,686
Other	659,895	864,044	1,239,104
Recoveries	152,950	448,976	215,035
Teachers Salary Accrual	---	2,647,499	---
Property	---	19,074	---
Total Province of Nova Scotia	$ 80,411,285	$ 84,220,123	$ 78,117,506
Government of Canada			
IA Northern Development	$ 275,000	$ 368,844	$ 281,563
HRDC	915,833	831,394	715,098
Secretary of State	306,144	258,235	319,180
Other	36,205	13,605	49,601
Total Government of Canada	$ 1,533,182	$ 1,472,078	$ 1,365,442
Municipal contributions:			
Mandatory	$ 15,431,780	$ 15,431,780	$ 15,018,365
Total Municipal Contributions	$ 15,431,780	$ 15,431,780	$ 15,018,365
School Generated Funds			
School Generated (Note 2)	$ ---	$ 1,744,361	$ 35,047
Total School Generated	$ ---	$ 1,744,361	$ 35,047
Other Revenues			
Board Generated-Other	$ 1,820,120	$ 1,709,768	$ 1,661,809
Other Revenue - Schools	---	704,889	398,097
Tuition - Students	338,500	373,197	451,061
Registration	391,850	508,538	322,621
Rentals	10,000	34,621	33,732
Interest/Investments	140,000	105,603	142,591
Recoveries - Non-governmental	25,000	84,859	122,657
Sale of Assets	5,000	970	859
Transfer from Unrestricted	977,000	380,580	201,301
Transfer from Reserves	---	596,938	---
Total Other Revenues	$ 3,707,470	$ 4,499,963	$ 3,334,728
Total Revenues	$ 101,083,717	$ 107,368,305	$ 97,836,041

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenses
For the Year Ended March 31, 2005

Expenses:	2005 Budget	2005 Actual	2004 Actual
Board Governance:			
Board Members	$ 181,400	$ 200,752	$ 167,538
Board Secretary	36,632	41,387	30,117
NSSBA & Other	75,500	75,500	69,989
Total Board Governance	$ 293,532	$ 317,639	$ 267,644
Regional Management:			
Management Services	$ 1,719,928	$ 1,849,571	$ 1,491,556
Financial Services	323,158	348,551	293,929
Human Resources Services	852,013	923,177	757,588
Communication Services	42,993	42,230	41,130
ITS - Regional	80,920	88,560	73,127
Total Regional Management	$ 3,019,012	$ 3,252,089	$ 2,657,330
School Management & Support:			
School Management	$ 6,334,791	$ 5,910,684	$ 5,505,447
Program & Curriculum Support	2,333,050	2,237,899	1,594,656
ITS - Site Specific	1,205,073	1,280,756	1,092,781
Total School Management	$ 9,872,914	$ 9,429,339	$ 8,192,884
Instructional & School Services:			
Instruction	$ 52,045,652	$ 55,698,433	$ 52,601,486
Guidance Services	991,772	991,772	944,959
Library Services	1,043,835	1,011,261	963,829
Total Instruction	$ 54,081,259	$ 57,701,466	$ 54,510,274
Student Support:			
Program Management	$ 94,750	$ 95,384	$ 93,232
Instruction	11,854,048	11,857,955	11,617,175
Program & Curriculum Support	1,293,683	1,198,415	1,068,171
Total Student Support	$ 13,242,481	$ 13,151,754	$ 12,778,578

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenses
For the Year Ended March 31, 2005

Adult & Community Education:			
Program Management	$ 183,125	$ 189,013	$ 176,559
Instruction	926,152	857,166	952,119
Program & Curriculum Support	25,527	35,449	123,840
Total Adult Education	$ 1,134,804	$ 1,081,628	$ 1,252,518
Property Services:			
Management Services	$ 547,002	$ 605,187	$ 494,473
Custodial Services	3,063,010	3,137,807	3,056,369
Maintenance Services	5,731,926	5,637,059	4,524,936
Grounds Services	305,000	350,561	338,595
Total Property Services	$ 9,646,938	$ 9,730,614	$ 8,414,373
Student Transportation:			
Management Services	$ 305,683	$ 332,567	$ 267,465
Transportation (Board)	2,042,097	2,115,078	1,970,974
Maintenance (Board)	771,092	770,911	695,517
Transportation (Contract)	3,917,861	3,800,745	3,881,240
Site Maintenance	1,500	---	---
Total Student Transportation	$ 7,038,233	$ 7,019,301	$ 6,815,196
Other Programs	$ 2,754,544	$ 2,775,416	$ 2,070,333
Interest Expense	---	253,700	496,000
Total Expenses	$ 2,754,544	$ 3,029,116	$ 2,566,333
Total	$ 101,083,717	$ 104,712,946	$ 97,455,130

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2005

Trusts

	March 31, 2004	Additions	Interest	Disburse-ments	March 31, 2005
ARRA Library Trust	$ 5,495	$ ---	$ 104	$ 97	$ 5,502
Atkinson Trust	1,212	---	17	400	829
Raymond Banks Memorial	---	10,000	191	---	10,191
BarteauTrust	3,662	---	62	500	3,224
Bateman Trust	3,390	---	65	---	3,455
Beals Trust	271,194	122,635	6,042	3,900	395,971
Beattie Trust	10,699	---	201	230	10,670
Blackburn Trust	10	350	2	350	12
Borden Trust	3,326	---	64	---	3,390
BrannonTrust	854	---	16	71	799
Carter Trust	6,235	---	112	500	5,847
Clarke	6,524	---	121	145	6,500
Coldwell Trust	5,076	---	95	110	5,061
Cummings Trust	13,398	296	254	500	13,448
Dakin Trust	6,646	722	133	300	7,201
Dalton Trust	15,428	---	291	305	15,414
DeEll Trust	53,737	---	1,013	1,185	53,565
EvansTrust	781	---	13	150	644
Grassroots	14,708	---	20	14,700	28
Harvey	2,046	2,050	71	100	4,067
Haskell Trust	24,399	---	467	---	24,866
Hibbard Trust	10,545	---	199	200	10,544
Horton Alumni	2,128	---	40	45	2,123
Hudgins Trust	411	---	8	10	409
Inglis Trust	21,063	---	397	465	20,995
Jones - BRES	5,427	---	104	---	5,531
Jones - BRHS	13,536	---	259	---	13,795
Johnson Trust	11,147	278	211	500	11,136
KCDSB Trust(Warner)	5,450	---	104	---	5,554
Lightfoot Trust	35	200	1	---	236
LockhartTrust	164	---	3	---	167
Lyons Trust	4,650	---	89	100	4,639
Margeson	6	---	---	---	6
MacFarlane	8,655	---	165	9	8,811
MacNutt Trust	36,237	350	686	500	36,773
Mitchell Trust	1,381	---	26	---	1,407
MRHS 40 th Ann. Trust	16,276	44	306	400	16,226
Neily Trust	441	---	8	8	441
Nixon Trust	5,988	250	119	---	6,357
Candice Parker Trust	5,117	620	101	500	5,338
Harry E. Parker Trust	5,009	100	95	200	5,004
Rena B. Parker Trust	36,872	---	694	818	36,748
Quartermain Trust	735	---	14	---	749
Rainforth Trust	475	---	9	---	484
Leah Rhoddy Trust	5,051	---	97	---	5,148
Sasa Kovac Trust	3,133	193	63	---	3,389
Sinnott Trust	10,650	---	201	235	10,616
Earle Spicer Trust	22,013	---	414	488	21,939
WorthylakeTrust	17,747	299	329	1,500	16,875
Total This Page	699,162	138,387	14,096	29,521	822,124

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2005

Trusts (Continued)

	March 31, 2004	Additions	Interest	Disburse-ments	March 31, 2005
Balance Forward	699,162	138,387	14,096	29,521	822,124
Champlain Refresh	54,341	33,900	1,241	67,041	22,441
Horton Refresh	31,062	311,107	2,330	333,914	10,585
Northeast Kings Refresh	29,027	108,341	1,391	95,984	42,775
Pine Ridge Refresh	87,371	71,415	2,444	50,972	110,258
Champlain Capital Fund	---	4,786	27	---	4,813
Northeast Kings Capital Fund	---	14,839	---	22,712	(7,873)
Pine Ridge Capital Fund	---	9,615	49	1,808	7,856
Horton Capital Refresh	20,739	7,188	456	5,064	23,319
Avon View Technology Ed	15,000	---	---	12,770	2,230
Central Kings Technology Ed	15,000	---	---	2,325	12,675
West Kings Technology Ed	5,000	52	---	---	5,052
Total Trusts	$ 956,702	$ 699,630	$ 22,034	$ 622,111	$ 1,056,255
Foundation Total	$ 148,535	$ 125,117	$ 3,401	$ 96,567	$ 180,486
Total Trusts & Foundation.	$ 1,105,237	$ 824,747	$ 25,435	$ 718,678	$ 1,236,741

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

Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2005

School Generated Funds

	March 31, 2004	Additions	Interest	Disburse-ments	March 31, 2005
Aldershot	$ ---	$ 70,988	$ 213	$ 41,009	$ 30,192
Annapolis East	---	128,214	10,647	49,534	89,327
ARRA Special	---	52,817	85	27,113	25,789
ARRA Library	---	2,674	---	2,074	600
AWEC Office	---	65,849	---	44,038	21,811
Avon View	---	134,641	---	93,204	41,437
Berwick	---	111,638	---	81,014	30,624
BRES	---	11,774	---	2,700	9,074
BRHS	---	105,962	---	44,306	61,656
Brooklyn	---	35,088	---	20,792	14,296
Cambridge	---	39,303	---	25,480	13,823
Central Kings	---	179,543	---	88,948	90,595
Champlain	---	39,425	---	24,161	15,264
Clark Rutherford	---	47,739	---	32,505	15,234
Coldbrook	---	102,263	4,202	47,925	58,540
Dr Arthur Hines	---	25,029	152	14,509	10,672
Dwight Ross	---	46,596	79	28,227	18,448
EMS	---	68,738	---	36,557	32,181
Falmouth	---	45,298	---	25,189	20,109
Gaspereau	---	41,507	---	26,523	14,984
Glooscap	---	81,318	---	48,497	32,821
Hantsport	---	44,733	---	36,369	8,364
Horton	---	312,570	1,176	107,921	205,825
KCA	---	74,765	---	42,416	32,349
Kingston Dist	---	88,656	---	59,705	28,951
LE Shaw	---	31,711	---	18,008	13,703
Lawrencetown	---	33,583	---	16,068	17,515
MRHS	---	120,529	1,722	76,434	45,817
New Minas	---	35,289	---	19,822	15,467
Newport Stn	---	21,940	---	14,892	7,048
Northeast Kings	---	233,770	---	129,916	103,854
Pine Ridge	---	142,720	---	81,925	60,795
Port Williams	---	50,560	15	31,858	18,717
Somerset	---	52,383	---	34,583	17,800
St Mary's	---	66,338	23	37,576	28,785
Three Mile Plns	---	35,480	---	5,138	30,342
West Hants M S 1	---	5,646	586	151	6,081
West Hants M S 2	---	145,795	---	98,102	47,693
West Kings	---	202,963	---	134,631	68,332
Windsor El.	---	55,250	839	32,908	23,181
Windsor Forks	---	47,961	---	29,653	18,308
Wolfville School	---	127,694	---	84,754	42,940
Total School Generated Funds	$ ---	$ 3,366,740	$ 19,739	$ 1,897,135	$ 1,489,344

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Schedule D - Supplementary Details of Trusts Funds
For the Year Ended March 31, 2005

Cafeterias

	March 31, 2004	Additions	Interest	Disburse-ments	March 31, 2005
Annapolis East.	5,447	99,807	---	99,893	5,361
Annapolis West/ Annapolis Royal	10,158	105,267	---	106,539	8,886
Berwick	54,690	56,951	80	58,426	53,295
Brigetown Reg. Elem. Sch..	(1,929)	30,100	---	26,585	1,586
Brigetown Reg. High Sch.	23,796	89,457	40	87,727	25,566
Brooklyn.	4,828	46,235	53	46,531	4,585
Central Kings	9,473	141,592	21	129,823	21,263
Coldbrook	58,388	132,690	294	123,127	68,245
Evangeline Middle Sch..	1,765	73,981	27	71,348	4,425
Falmouth..	6,448	27,566	---	28,266	5,748
Kingston.	37,999	80,831	---	81,888	36,942
Lawrencetown..	1,674	23,581	---	23,354	1,901
Middleton Reg. High	3,353	107,644	---	107,551	3,446
Three Mile Plains	(675)	17,768	---	16,382	711
West Hants Middle Sch.	16,181	157,849	244	161,217	13,057
Total Cafeterias	$ 231,596	$ 1,191,319	$ 759	$ 1,168,657	$ 255,017
Total School Based Funds.	$ 231,596	$ 4,558,059	$ 20,498	$ 3,065,792	$ 1,744,361

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

Notes to the Financial Statements
March 31, 2005

1. Summary of significant accounting policies

These financial statements have been prepared to confirm in all material respects to the accounting principles prescribed by the Public Sector Accounting and Auditing Handbook for Federal, Provincial and Territorial Governments, of the Public Sector Accounting Board.

These financial statements have been prepared using the following significant accounting policies:

Revenues
Revenues are recorded on an accrual basis. The main components of revenue are funding from the Province of NS, Government of Canada and Municipal Contributions.

Expenses
Expenses are recorded on the accrual basis. Provisions are made for probable losses on accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonable determined.

Liabilities
The Board contributes to Registered Retirement Savings Plans and Registered Pension Plans on behalf of the non-teaching employees. The Boards teachers are covered by a pension plan established by the Province pursuant to the Teacher's Pension Act.

During the 2000-2001 fiscal year the Province of Nova Scotia assumed full responsibility for accumulated liability associated with employee retirement allowances. School boards are responsible only for the current service cost of this benefit.

Net Debt
Net Debt represents the direct liabilities of the Board less financial assets.

Non Financial Assets
With the move to Tangible Capital Asset accounting for capital assets the Board has made a one time adjustment to the values of existing capital assets recorded in the accounts of the Board.

Only school property to which the Board holds legal title is recorded at the cost provided when it was received at amalgamation and will be removed as it is disposed of.

All major capital renovations or additions carried out on buildings either owned or not owned by the board have been paid for the Province and do not represent an asset of the Board and have therefore been removed from the balance sheet.

Past capital equipment acquisitions have not been depreciated and would not meet current Tangible Capital Asset guidelines and have been removed from the balance sheet.

School buses are now acquired by the Province and other vehicles under Tangible Capital Asset accounting. Previously acquired vehicles are not depreciated but are held at cost until disposed of.

All future capital acquisitions will be recorded using Tangible Capital Asset accounting.

Prepaid Expenses are cash disbursements for goods or services, other than Tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the goods or service is used or consumed.

Accumulated Deficit/Surplus
Accumulated Deficit/Surplus represents the liabilities of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

Financial statement presentation
The financial statements of the Board have been prepared in accordance with the School Board Financial Handbook as issued by the Minister of Education March 31, 2005 pursuant to Article 62 of the Ministerial Education Act Regulations of the Province of Nova Scotia.

2. School Based Funds

The Board is required to include in its financial statements the financial activities of its school sites. To meet this requirement, the Board has instituted a new school based funds policy to promote appropriate internal controls, provided each site with a standard computer based accounting system and established common reporting standards for school based funds. As this was the first year of reporting school based funds, with the exception of cafeterias, the opening balances are included in the additions for the fiscal year. The following is a summary of these financial activities, a site by site listing is provided in Schedule D.

	March 31, 2004	Additions	Interest	Disburse-ments	March 31, 2005
Student Council Funds. . .$	--- $	144,343 $	19 $	73,278 $	71,084
Cafeteria Funds	231,596	1,191,319	759	1,168,657	255,017
Other Funds	---	3,222,395	19,720	1,823,855	1,418,260
Subtotal . . . .$	231,596 $	4,558,057 $	20,498 $	3,065,790 $	1,744,361

3. Trust funds

The Annapolis Valley Regional School Board manages a number of trust funds primarily for the generation of scholarships and awards. A summary of the trusts and their activity is is found in Schedule D of these financial statements. Effective April 1, 1997, the Board incorporated the activities of the former Kings County District School Board Foundation. These are now carried as a separate Trust Account.

4. Commitments

Facility Rental
The Annapolis Valley Regional School Board currently leases 21,408 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007. Rental charges for 2005/2006 will be $194,150 and will increase in subsequent years by the prior year's Consumer Price Index increase for Nova Scotia.

5. Restatement

The changes in presentation for 2004-05 have required some restatement of 2003-04 financial figures for comparison purposes.

AUDITOR'S REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the Art Gallery of Nova Scotia consisting of the following:

Art Gallery of Nova Scotia	- Combined Balance Sheet as at March 31, 2005
Gallery Fund	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2005
Endowment Fund	- Balance Sheet as at March 31, 2005 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2005
Acquisition Fund	- Balance Sheet as at March 31, 2005 - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2005

These financial statements are the responsibility of the Gallery'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 common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 9, 2005

ART GALLERY OF NOVA SCOTIA

Combined Balance Sheet
As at March 31, 2005

		2005		2004
ASSETS				
Current				
Cash and cash equivalents (note 4)	$	84,080	$	222,724
Accounts receivable		210,808		170,884
Inventory		145,387		149,185
Prepaids		20,697		2,844
		460,972		545,637
Investments (note 5)		2,010,572		2,032,400
	$	2,471,544	$	2,578,037

LIABILITIES AND SURPLUS

		2005		2004
Current				
Accounts payable and accrued liabilities	$	342,270	$	434,429
Deferred revenue		56,566		101,353
		398,836		535,782
Surplus				
Surplus - Gallery Fund		134,076		95,925
Surplus - Endowment Fund (note 4)		1,960,328		2,037,146
Deficit - Acquisition Fund		(21,696)		(90,816)
		2,072,708		2,042,255
	$	2,471,544	$	2,578,037

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2005

		2005		2004 (restated- note 6)
Revenue				
Province of Nova Scotia (note 3)	$	1,187,848	$	1,283,800
Sponsorships		162,488		232,507
Grants		549,361		227,199
Admission		162,632		148,815
Other income		79,769		152,291
Memberships		78,491		65,921
Donations - AGNS appeal		49,381		70,116
Public Education Programs		79,478		63,466
Special events		19,814		11,533
Fundraising		---		6,869
Corporate Campaign		1,360		2,787
Interest		2,589		1,492
		2,373,211		2,266,796
Expenditures (Schedule 1)				
Salaries and benefits		930,844		914,325
Building operations		736,058		767,478
Exhibitions and programming		837,148		640,399
Administration		131,395		170,178
Development/public relations		172,952		177,649
Printing and publication		17,572		10,903
Building capital cost		---		9,650
Technology		14,379		8,878
Miscellaneous		6,315		6,138
		2,846,663		2,705,598
Excess of expenditures over revenue before debt forgiveness		(473,452)		(438,802)
Inter-governmental assistance (note 6)		298,778		157,375
	$	(174,674)	$	(281,427)
Excess of gross profit over expenditures (expenditures over gross profit) Gallery Shop (Schedule 2)	$	2,777	$	(13,639)
Excess of gross profit over expenditures Product Development (Schedule 3)		17,548		36,517
Excess of expenditures over revenue for the year		(154,349)		(258,549)
Surplus (deficit), beginning of year		95,925		(110,526)
Contribution from Endowment Fund		215,000		465,000
Contribution to Acquisition Fund		(22,500)		---
Surplus, end of year	$	134,076	$	95,925

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Endowment Fund
Balance Sheet
As at March 31, 2005

		2005		2004
ASSETS (note 4)				
Current				
Cash and cash equivalents	$	20,660	$	18,768
Accounts receivable		15		210
Due from Phase II		---		2,738
		20,675		21,716
Investments (note 5)		2,010,572		2,032,400
Loan to Gallery Fund		152,738		150,000
	$	2,183,985	$	2,204,116
LIABILITIES AND SURPLUS				
Current				
Accounts payable	$	3,795	$	1,000
Due to Gallery Fund		219,862		154,862
Due to Acquisition Fund		---		11,108
		223,657		166,970
Surplus				
Restricted		380,000		380,000
Unrestricted		1,580,328		1,657,146
		1,960,328		2,037,146
	$	2,183,985	$	2,204,116

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Endowment Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2005

	2005	2004
Revenue (note 4)		
Investment income	$ 155,800	$ 182,892
Life memberships	7,860	3,640
Restricted donations	450	638
Gallery endowments	20,000	20,000
Planned giving	5,098	---
	189,208	207,170
Expenditures (note 4)		
Trustee fees	27,115	28,499
Administration	1,500	2,000
Promotion and public relations	3,411	4,214
Donor restricted projects	4,000	4,619
Miscellaneous	---	40
	36,026	39,372
Excess of revenue over expenditures for the year	153,182	167,798
Surplus, beginning of year	2,037,146	2,349,348
Contribution to Gallery Fund	(215,000)	(465,000)
Contribution to Acquisition Fund	(15,000)	(15,000)
Surplus, end of year	1,960,328	2,037,146
Less: restricted surplus	(380,000)	(380,000)
Unrestricted surplus, end of year	$ 1,580,328	$ 1,657,146

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Acquisition Fund
Balance Sheet
As at March 31, 2005

	2005	2004
ASSETS		
Current		
Cash	$ 20	$ 17,980
Accounts receivable	3,373	---
Due from Endowment Fund	---	11,108
Due from Product Development	7,500	---
	$ 10,893	$ 29,088
LIABILITIES AND DEFICIT		
Current		
Accounts payable	$ 31,132	$ 1,994
Due to Gallery Fund	1,457	117,910
	32,589	119,904
Deficit	(21,696)	(90,816)
	$ 10,893	$ 29,088

Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2005

	2005	2004
Revenue		
Donations:		
Art Sales and Rental Society	$ ---	$ 65,000
Other	223,260	80,267
Friends of the Gallery	1,625	7,000
Grants (note 3)	51,579	37,525
AGNS Appeal	1,011	1,000
	277,475	190,792
Expenditures		
Acquisitions	149,523	219,340
Appraisal and professional fees	75,998	51,976
Shipping	18,029	7,578
Permanent collection exhibit	---	397
Bank charges	80	127
Miscellaneous	2,225	32
Administration	---	18
	245,855	279,468
Excess of revenue over expenditures (expenditures over revenue) for the year	31,620	(88,676)
Deficit, beginning of year	(90,816)	(17,140)
Contribution from Endowment Fund	15,000	15,000
Contribution from Product Development	22,500	---
Deficit, end of year	$ (21,696)	$ (90,816)

See accompanying notes

1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conservation and display of art, and the provision of art education to learners of all ages.

The Art Gallery of Nova Scotia is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the AGNS must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Art Gallery of Nova Scotia received program and education funding during the year from the following sources: Exxon Mobil, McConnell Foundation, Province of Nova Scotia, Center for Entrepreneurship Education and Development and Sobeys Art Foundation.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the AGNS, the accounts of the AGNS are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Governors or various funding authorities.

For financial reporting purposes, the accounts have been classified into the following three groupings:

The AGNS Gallery Fund supports the day to day operations of the Provincial Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the AGNS Acquisition Fund is to purchase works of art for the Provincial Gallery and cover costs associated with acquiring these works.

The AGNS Endowment Fund exists to support and manage all of the investments for the long term survival of the Provincial Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

During the year, the following four funds were consolidated into the AGNS Gallery Fund: the AGNS Phase II Fund, the AGNS Western Branch Fund, the AGNS Gallery Shop and AGNS Product Development.

Cash and cash equivalents
Cash and cash equivalents are cash and short term liquid investments with an original maturity of 90 days or less.

Inventory
Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

Investments
Investments are recorded at the lower of cost and market. Income is recognized on the settlement date.

Financial instruments
The differences between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and, or credit terms of those instruments.

Measurement uncertainty
The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition
Revenue from donations, life memberships, and investment income is recognized when the cash is received. All other revenue is recognized on the accrual basis of accounting.

Acquisitions
Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to $149,523 (2004- $219,340).

Other income
Other income includes revenue from rent, rental spaces and advertising.

Contributed goods and services
Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Also, the Province of Nova Scotia provides the AGNS with use of its premises at no cost. Because of the difficulty in determining the fair value, contributed goods and services are not recognized in the financial statements.

Statement of cash flows
A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

3. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded in the statement of revenue and expenditures as revenue from the Province, sponsorships or grants as applicable:

	2005	2004
Gallery Fund:		
Nova Scotia Department of Tourism, Culture and Heritage	$ 1,187,848	$ 1,283,800
Canada Council for the Arts	121,000	120,000
Federal Department of Canadian Heritage	240,410	61,248
Halifax Regional Municipality	25,000	25,000
Young Canada Works	---	7,000
Canadian Museum Association	---	2,233
Cultural Human Resources Council	4,000	---
Federation Acadienne	2,500	---
	1,580,758	1,499,281
Acquisition Fund:		
Canada Council for the Arts	49,800	28,300
Federal Department of Canadian Heritage	1,779	9,225
	51,579	37,525
	$ 1,632,337	$ 1,536,806

4. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of $500,000 has been accumulated shall be available for the purpose of:

a) the acquisition of artworks for the permanent collection;
b) the expansion of exhibition and art education programs; and
c) other special projects.

The funds which will be placed in the Endowment Fund will be:
a) donations designated as such by the donor;
b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

5. Investments

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

	2005		2004	
	Cost	Market Value	Cost	Market Value
Endowment Fund				
Equity	$ 2,010,572	$ 2,378,162	$ 2,032,400	$ 2,481,207

6. Inter-governmental Assistance

During the year, the AGNS received $298,778 in inter-governmental assistance from the department of Transportation and Public Works relating to building repairs and maintenance.

In the prior year, the AGNS received $157,375 of similar assistance from the Department of Transportation and Public Works relating to building repairs and maintenance. This amount was previously shown as a deduction from surplus but has been restated to income in the comparative figures.

7. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

ART GALLERY OF NOVA SCOTIA

Schedule 1

Gallery Fund
Schedule of Expenditures
Year ended March 31, 2005

	2005	2004
Salaries and Benefits		
Salaries and employee benefits	$ 930,844	$ 914,325
	930,844	914,325
Building Operations		
Utilities	215,436	254,193
Security	190,758	199,373
Climate control	126,117	120,653
Building maintenance and cleaning	126,668	108,258
Insurance	70,065	63,035
Building repairs and renovations	3,207	13,326
Elevator maintenance	3,807	8,640
	736,058	767,478
Exhibitions and Programming		
Programs	819,540	631,334
Vehicle	4,176	5,246
Conservation lab	4,707	2,467
Workshop supplies	6,523	1,200
Collections management	2,202	152
	837,148	640,399
Administration		
Stationery and postage	35,762	42,445
Travel	35,568	36,913
Office	---	33,053
Telephone	24,183	22,010
Equipment rental	15,814	19,617
Professional fees	12,519	8,890
Memberships	5,985	4,964
Equipment maintenance	770	1,705
Delivery administration	794	581
	131,395	170,178
Development/Public Relations		
Development/public relations	172,952	177,649
	172,952	177,649
Printing and Publication		
Printing and publication	17,572	10,053
Photography	---	850
	17,572	10,903
Building Capital Cost		
Building capital cost	---	9,650
	---	9,650
Technology		
Technology	10,717	8,189
Training and development	3,662	689
	14,379	8,878
Miscellaneous		
Bank charges	5,387	4,975
Miscellaneous	928	1,163
	6,315	6,138
Total expenditures	$ 2,846,663	$ 2,705,598

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Schedule 2

Gallery Shop
Schedule of Revenue and Expenditures
Year ended March 31, 2005

		2005		2004
Revenue				
Art and craft sales	$	206,206	$	223,814
Art and craft sales on consignment		63,630		58,125
Books, notes and posters		40,276		39,071
		310,112		321,010
Cost of sales		171,583		187,102
Gross profit		138,529		133,908
Expenditures				
Salaries and employee benefits		98,666		107,317
Office and administration		37,086		40,230
		135,752		147,547
Excess of gross profit over expenditures (expenditures over gross profit) for the year	$	2,777	$	(13,639)

Schedule 3

Product Development
Schedule of Revenue and Expenditures
Year ended March 31, 2005

		2005		2004
Revenue	$	80,439	$	132,672
Cost of sales		34,273		61,648
Gross profit		46,166		71,024
Expenditures				
Salaries and employee benefits		5,537		17,252
Office and administration		4,169		4,135
Royalties		15,016		5,417
Promotional		3,896		7,703
		28,618		34,507
Excess of gross profit over expenditures for the year	$	17,548	$	36,517

See accompanying notes

AUDITORS' REPORT

To the Shareholders of
BioScience Enterprise Centre Incorporated

We have audited the balance sheet of BioScience Enterprise Centre Incorporated as at March 31, 2005 and the statements of loss and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Dartmouth, Nova Scotia
May 18, 2005

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Loss and Retained Earnings
Year Ended March 31, 2005

	2005	2004
Revenue		
Rent	$ 394,239	$ 418,950
Amortization of government assistance	266,043	252,422
Business services	190,359	226,016
Government assistance (Note 5)	24,462	---
Other	3,696	6,893
	878,799	904,281
Expenses		
Advertising and promotion	7,455	11,834
Bad debt (recovery)	---	(3,022)
Communications	48,617	40,571
Depreciation	256,433	252,422
Information resources	804	693
Interest and bank charges	437	502
Materials	14,077	16,536
Miscellaneous	10,903	8,105
Outside services	20,980	22,073
Professional development	4,086	7,317
Rent	43,088	36,274
Repairs and maintenance	58,652	42,387
Salaries and benefits	299,105	334,063
Travel	12,523	13,284
Utilities	130,924	115,212
	908,084	898,251
Net (loss)earnings	$ (29,285)	$ 6,030
Retained earnings, beginning of the year	$ 34,558	$ 28,528
Net (loss) earnings	(29,285)	6,030
Retained earnings, end of year	$ 5,273	$ 34,558

See accompanying notes to the financial statements.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Balance Sheet
March 31, 2005

	2005	2004
ASSETS		
Cash	$ 52,205	$ 92,539
Government assistance receivable	117,150	5,341
Other receivables	130,856	66,832
Capital assets (Note 3)	937,297	1,110,652
	$ 1,237,508	$ 1,275,364
LIABILITIES		
Payables and accruals	$ 285,520	$ 130,153
Deferred leasehold contribution	9,417	---
Deferred government contributions	937,297	1,110,652
	1,232,234	1,240,805
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	1	1
Retained Earnings	5,273	34,558
	5,274	34,559
	$ 1,237,508	$ 1,275,364

Commitments (Note 7)

See accompanying notes to the financial statements.

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net (loss) earnings	$ (29,285)	$ 6,030
Depreciation	256,433	252,422
Amortization of government contributions	(266,043)	(252,422)
Amortization of deferred leasehold contribution	---	(53,858)
	(38,895)	(47,828)
Changes in non-cash operating working capital		
Receivables	(175,831)	92,234
Payables and accruals	155,366	36,262
	(59,360)	80,668
Financing		
Deferred leasehold contribution	9,417	---
Government assistance to finance capital assets	92,688	---
	102,105	---
Investing		
Purchase of capital assets	(92,688)	---
Proceeds on sale of capital assets	9,609	---
	(83,079)	---
Net (decrease) increase in cash and cash equivalents	(40,334)	80,668
Cash and cash equivalents		
Beginning of year	92,539	11,871
End of year	$ 52,205	$ 92,539

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

The Company developed and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Act

2. Summary of significant accounting policies

(a) Capital assets

Capital assets are recorded at cost and depreciated as follows:

Computer equipment	30%, declining balance;
Equipment and furniture	20%, declining balance;
Building and leasehold improvements	Term of lease, 4.5 yrs remaining at beginning of year

(b) Government assistance

The portion of government assistance used for the acquisition of capital assets is recorded as deferred government assistance and recognized as income on the same basis as the related assets are amortized. The operating portion of government assistance is recognized as income in the year received.

(c) Revenue recognition

Rent revenue is recorded as earned and includes monthly rent from tenants. Business services revenue include recoveries from tenants for utilities, photocopies and other administrative services. These are recorded as earned. Also included are recoveries from tenants for improvements made to their premises. These are recorded as deferred lease improvements and amortized over the life of the lease.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits. Bank borrowings are considered to be financing activities.

(e) Use of estimates

In preparing these financial statements management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(f) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, and payables. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless other wise noted.

3. Capital Assets

	2005			2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Building improvements	$ 611,152	$ 381,930	$ 229,222	$ 294,714
Equipment	65,877	44,219	21,658	27,072
Computer equipment	38,772	32,521	6,251	8,930
Furniture	98,519	47,521	50,998	25,169
Leaseholds	1,465,727	836,559	629,168	754,767
	$ 2,280,047	$ 1,342,750	$ 937,297	$ 1,110,652

4. Related party transactions

Entity	Relationship	Sales To	Purchases From	Year End Payable
InNOVAcorp (1)	Sister	$ ---	$ 55,884	$ 137,812 (2)
Waterfront Development Corporation Limited (1)	Sister	$ ---	$ 50,931	$ ---

(1) These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(2) The balances due to related parties are non-interest bearing and under normal credit terms and have arisen from cash advances to fund Company operations.

5. Government assistance

The Company received funding from the Economic Diversification Agreement for its operating activities and acquisition of capital assets. Details are as follows:

	2005	2004
Funding from Economics Diversification Agreement	$ 117,150	$ ---
Less: Funding used to finance capital assets	92,688	---
	$ 24,462	$ ---

6. Capital stock

	2005	2004
Authorized		
100,000 common shares with no par value		
Issued and outstanding:		
1 common shares	$ 1	$ 1

7. Commitments

The Company is committed to lease land and buildings from the Waterfront Development Corporation Limited. The lease requires annual minimum rent of $43,088 from October 2003 to October 2008.

8. Comparative figures

Certain of the comparative figures for 2004 have been reclassified to conform to the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Cape Breton District Health Authority

We have audited the statement of financial position of Cape Breton District Health Authority as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
June 24, 2005

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2005, with comparative figures for 2004

ASSETS

	2005	2004
Current Assets:		
Cash	$ 4,294,346	$ 30,984
Internally restricted cash	---	160,945
Accounts receivable (note 2)	24,659,136	26,378,610
Inventories (note 4)	2,807,346	2,701,296
Prepaid expenses	399,546	166,306
	32,160,374	29,438,141
Capital assets (note 5):		
Cost	275,774,185	264,176,122
Less accumulated amortization	120,370,194	110,494,354
	155,403,991	153,681,768
Other receivable:		
Employee future benefits (note 7)	12,737,831	11,564,919
	$ 200,302,196	$ 194,684,828

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

	2005	2004
Current liabilities:		
Cheques issued in excess of funds on deposit	$ ---	$ 2,202,874
Accounts payable and accrued liabilities (note 6)	32,568,767	27,809,866
	32,568,767	30,012,740
Deferred contributions for capital assets (note 8)	154,868,405	152,605,572
Other liabilities:		
Employee future benefits (note 7)	12,737,831	11,564,919
Net assets :		
Unrestricted (deficiency)	(408,393)	(735,544)
Restricted	---	160,945
Investment in capital assets (note 9)	535,586	1,076,196
	127,193	501,597
	$ 200,302,196	$ 194,684,828

Contingencies (note 11)
Commitments (note 12)

See accompanying notes to financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2005, with comparative figures for 2004

		Total 2005		Total 2004
Revenue:				
Net patient income:				
Provincial Plan	$	170,994,556	$	157,203,300
Other		11,879,070		13,586,003
Medical service insurance		5,945,798		5,838,858
Net differential		2,072,858		1,830,929
Dietary recoveries		1,475,340		1,402,785
Miscellaneous		612,456		1,032,261
Intrest income		117,523		47,583
Referred in work		101,120		89,787
		193,198,721		181,031,506
Expenditures:				
Nursing inpatient services		68,687,621		65,186,866
Support services		49,907,155		46,326,598
Diagnostic and therapeutic services		33,995,001		31,589,049
Ambulatory care services		33,521,603		30,620,099
Addiction services		3,704,888		3,641,700
Public health		3,234,887		3,142,804
Education		521,970		524,711
		193,573,125		181,031,827
Excess of expenditures over revenue before below noted items		(374,404)		(321)
Amortization of deferred contributions related to capital assets (note 9 (b))		9,875,840		10,431,494
Amortization of capital assets (note 9 (b))		(9,875,840)		(10,514,914)
Excess of expenditure over revenue	$	(374,404)	$	(83,741)

See accompanying notes to financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Changes in Net Assets
Year ended March 31, 2005, with comparative figures for 2004

	Unrestricted	Restricted	Investment in Capital Assets	Total 2005	Total 2004
Balance, beginning of year	$ (735,544)	$ 160,945	$ 1,076,196	$ 501,597	$ 585,338
Excess of expenditure over revenue	(374,404)	---	---	(374,404)	(83,741)
Internal appropriation	160,945	(160,945)	---	---	---
Net change in investment in capital assets (note 9)	540,610	---	(540,610)	---	---
Balance, end of year	$ (408,393)	$ ---	$ 535,586	$ 127,193	$ 501,597

Statement of Cash Flows
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess of expenditure over revenue	$ (374,404)	$ (83,741)
Items not involving cash:		
Amortization of capital assets	9,875,840	10,514,914
Amortization of deferred contributions related to capital assets	(9,875,840)	(10,431,494)
Non-cash portion of repairs and maintenance	21,000	---
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	1,719,474	(7,199,213)
(Increase) decrease in inventories	(106,050)	125,933
(Increase) decrease in prepaid expenses	(233,240)	(72,635)
Increase in accounts payable and accrued liabilities	4,758,901	1,095,638
	5,785,681	(6,050,598)
Financing and investing activities:		
Purchases of capital assets	(11,656,334)	(10,731,125)
Additions to deferred contributions for capital assets	12,138,673	10,316,485
Proceeds on disposal of capital assets	37,271	---
2003 contribution for capital assets spent in 2004	---	(2,492,681)
	519,610	(2,907,321)
Increase (decrease) in cash position	6,305,291	(8,957,919)
Cash position, beginning of year	(2,010,945)	6,946,974
Cash position, end of year	$ 4,294,346	$ (2,010,945)
Cash position is represented by the following:		
Cash internally restricted	$ ---	$ 160,945
Cash	4,294,346	30,984
Cheques issued in excess of funds on deposit	---	(2,202,874)
	$ 4,294,346	$ (2,010,945)
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 5,536	$ 25,527
Interest received	122,609	73,110

See accompanying notes to financial statements.

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

1. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

(a) **Revenue recognition:**

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) **Inventories:**

Inventories are valued at the lower of cost and replacement cost.

(c) **Capital assets:**

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	Rates
Land improvements	5%
Buildings and service equipment	2% - 5%
Major equipment	5% - 20%

(d) **Employee future benefits/due from Department of Finance:**

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective Agreements, employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of $12,737,831 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability and therefore a corresponding receivable has been recorded from the Department of Finance. The current year's net expense incurred for employee future benefits is $2,072,912.

2. Accounts receivable:

	2005	2004
Patients, medical service insurance, Level II Care, veterans	$ 3,028,430	$ 3,464,622
Harmonized sales tax	2,054,834	1,741,207
Hospital Foundations (note 10)	811,273	872,700
Sundry	5,248,510	1,571,857
Guysborough Antigonish Strait Health Authority	---	286,795
Department of Health (note 3):		
Nova Scotia Hospital Information System	1,375,109	6,199,487
Vacation accrual	2,125,121	6,149,571
Capital funding	1,713,000	4,690,163
Other	719,517	572,440
Contract settlement	7,015,540	372,867
Retirement payouts	386,504	356,301
Addiction Services and Public Health	181,298	100,600
	$ 24,659,136	$ 26,378,610

3. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2005	2004
Accounts receivable (payable):		
Employee future benefits (note 7)	$ 12,737,831	$ 11,564,919
Nova Scotia Hospital Information System	1,375,109	6,199,487
Vacation accrual	2,125,121	6,149,571
Capital funding	1,713,000	4,690,163
Other	719,517	572,440
Contract settlement	7,015,540	372,867
Retirement allowance payouts	386,504	356,301
Addiction Services and Public Health	181,298	100,600
Advances by Provincial Plan - current	(6,841,638)	(6,600,721)
New hospital construction	(671,406)	(671,406)
	$ 18,740,876	$ 22,734,221

4. Inventories:

		2005		2004
Drugs	$	1,118,499	$	1,162,095
Medical and surgical		515,710		456,050
Food		91,580		85,051
General		1,081,557		998,100
	$	2,807,346	$	2,701,296

5. Capital assets:

		Cost		Accumulated Amortization		2005		2004
Land	$	532,959	$	---	$	532,959	$	570,230
Land improvements		3,852,705		1,861,163		1,991,542		2,069,830
Building and service						---		
equipment		195,673,449		57,169,254		138,504,195		135,268,927
Equipment		75,715,072		61,339,777		14,375,295		15,772,781
	$	275,774,185	$	120,370,194	$	155,403,991	$	153,681,768

6. Accounts payable and accrued liabilities:

		2005		2004
Accounts payable	$	13,379,628	$	11,446,589
Due to Department of Health:				
Advances by Provincial Plan - current		6,841,638		6,600,721
Accrued salaries:				
Salaries		5,988,064		4,996,087
Vacation pay accrual		2,084,679		2,118,867
Other accruals		3,341,399		1,765,728
Department of Health new hospital construction		671,406		671,406
Employee deductions payable		193,660		210,468
Guysborough Antigonish Strait Health Authority		68,293		---
	$	32,568,767	$	27,809,866

7. Employee future benefits:

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB handbook. Anually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Cape Breton District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2004. Actuarial liabilities as at March 31, 2005 were extrapolated from the results of the December 31, 2004 actuarial valuation.

Cape Breton District Health Authority has provided for retirement allowances as follows:

	2005	2004
Accrued benefit liability		
Balance, beginning of year	$ 11,564,919	$ 10,103,232
Current service cost for the year	800,600	768,500
Interest cost during the year	925,400	901,400
Plan amendment	---	338,600
Amortization of experience loss	346,912	73,087
Estimated fiscal payments for employees	(900,000)	(619,900)
Balance, end of year	$ 12,737,831	$ 11,564,919

Reconciliation to funding status

	2005	2004
Funding status - plan deficit	$ 16,171,500	$ 15,584,900
Unamortized net actuarial loss	(3,433,669)	(4,019,981)
	$ 12,737,831	$ 11,564,919

Employee future benefits expense

	2005	2004
Current service costs	$ 800,600	$ 768,500
Interest on accrued benefits	925,400	901,400
Plan amendment	---	338,600
Amortization of experience loss	346,912	73,087
	$ 2,072,912	$ 2,081,587

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2005:

	Retirement allowance
Discount rate	6.05%
Retirement % at age 65	50.0%
Average age of employees	45.2
Average age of services	15.7
Future mortality rate	(GAM 94, projected to 2000)
Rate of compensation increase	3.40% - 5.90%

All accumulated liabilities from the retiring allowance program of the Cape Breton District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2005.

8. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	2005	2004
Balance, beginning of year	$ 152,605,572	$ 155,213,262
Additional contributions received in 2005	12,138,673	10,316,485
2003 contribution for capital assets spent in 2004	---	(2,492,681)
Less amounts amortized to revenue	(9,875,840)	(10,431,494)
	$ 154,868,405	$ 152,605,572

9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2005	2004
Capital assets	$ 155,403,991	$ 153,681,768
Amounts financed by:		
Deferred contributions	154,868,405	152,605,572
	$ 535,586	$ 1,076,196

b) Change in net assets invested in capital assets is calculated as follows:

	2005	2004
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 9,875,840	$ 10,431,494
Amortization of capital assets	9,875,840	10,514,914
	$ ---	$ (83,420)
Net change in investment in capital assets:		
Capital assets acquired	$ 11,656,334	$ 10,731,125
Capital asset disposition	58,271	---
Amounts funded by deferred contributions	12,138,673	10,316,485
	$ (540,610)	$ 414,640

10. Due to/from Foundations:

The Health Authority receives donations from the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

As at March 31, 2004 the following amounts were due from the Foundations with comparative figures:

	2005	2004
Cape Breton Regional Hospital Foundation	$ 85,604	$ 65,000
Northside Hospital Charitable Foundation	14,237	97,322
Inverness Consolidated Memorial Hospital Foundation	40,027	24,284
Buchanan Memorial Hospital Foundation	671,406	671,406
Sacred Heart Hospital Foundation	---	14,688
	$ 811,274	$ 872,700

11. Contingencies:

The Health Authority has been named a defendant in several lawsuits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligation arising from these lawsuits.

12. Commitments:

The authority leases premises under operating leases which expire from 2007 to 2013 with minimum annual lease payments and aggregate lease payments as follows:

	Minimum annual lease payments	Aggregate lease payments
Board of Trustees of St. Andrews United Church	$ 28,030	$ 238,255
Nova Scotia Power Inc.	294,560	687,308
Aneal Virick and Ajay Virick	38,605	141,505

In addition, the Authority leases various other smaller properties and storage facilities with annual lease payments of approximately $206,200. These lease agreements are renewed on a monthly basis.

13. Fair value of financial instruments:

The carrying values of cash, internally restricted cash and cheques issued in excess of funds on deposit, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

14. Comparative figures:

Certain of the 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2005.

AUDITORS' REPORT

To the Chairperson and Members
Cape Breton -Victoria Regional School Board
George Street
Sydney, Nova Scotia

We have audited the statement of financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2005, and the related statements of operations, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria Regional School Board'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 Cape Breton-Victoria Regional School Board as at March 31, 2005, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles as described in Note 1.

These financial statements have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles and are solely for the information and use of the Cape Breton-Victoria Regional School Board, the Legislative Assembly of Nova Scotia and its Members, for their purposes under Section 83 of the Education Act..

ROACH PERRY ANDERSON
Chartered Accountants

Sydney, Nova Scotia
June 24, 2005

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Financial Position
March 31, 2005

ASSETS

		2005		2004
Financial Assets				
Cash	$	2,540,015	$	170,671
Accounts receivable				
Province of Nova Scotia (Note 2)		4,929,368		780,860
First Nation		643,699		278,034
Government of Canada (Note 3)		527,589		672,999
Other		928,384		1,025,254
		7,029,040		2,757,147
Prepaid expenses		145,296		66,096
Cash restricted for Teachers' Service Awards		---		3,874
Other Assets				
Deferred Service Awards (Note 4)		4,900,344		4,329,099
Capital Assets				
Service Vehicles - Net of Amortization		117,537		---
Restricted Assets				
Cash and investments - Scholarships		388,899		372,590
Fixed Assets (Note 5)		---		94,215,385
		5,406,780		98,917,074
	$	15,121,131	$	101,914,862

LIABILITIES

		2005		2004
Liabilities				
Payables and Accruals - Trade	$	1,871,942	$	1,044,262
Teachers Salary Payable		3,154,000		---
Non-Teaching Vacation Pay Payable		767,767		---
Other Salary Payable		1,490,794		---
		5,412,561		---
Payables and Accruals - Government				
Province of Nova Scotia		193,898		102,497
Government of Canada		1,214,602		---
Municipalities		27,423		---
		1,435,923		102,497
Deferred Revenues		1,310,016		1,600,586
Other				
Teachers' Service Awards, In Trust		---		3,874
Teachers' Training Fund		50,000		50,000
Service Awards		4,900,344		4,329,099
Scholarship Trust Funds		388,899		372,590
Investment in Capital Assets		---		94,215,385
		5,339,243		98,970,948
Total Liabilities		15,369,685		101,718,293
Surplus (Deficit)		(248,554)		196,569
	$	15,121,131	$	101,914,862

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Operations
Year Ended March 31, 2005

		2005 Budget		2005 Actual		2004 Actual
Revenue (Schedule A)						
Province of Nova Scotia	$	105,193,633	$	111,473,563	$	104,100,430
Government of Canada		1,164,000		1,231,436		1,119,637
Municipal Contributions		11,655,900		11,655,900		11,464,092
Other Revenues		3,365,860		4,688,059		4,234,038
Surplus - Prior Year		196,569		196,569		622,873
		121,575,962		129,245,527		121,541,070
Expenses (Schedule B)						
Board Governance		305,277		271,577		252,749
Regional Management		2,574,832		3,002,157		2,534,355
School Management & Support		12,594,809		13,235,741		12,107,797
Instructional & School Services		68,843,618		71,850,019		69,441,803
Student Support		16,064,209		16,478,073		14,484,995
Adult & Community Education		651,568		657,325		625,710
Property Services		12,953,618		15,788,242		13,404,474
Student Transportation		5,449,791		5,940,450		5,574,545
Other Programs		2,078,240		2,207,208		2,918,073
Tangible capital asset amortization		60,000		63,289		---
		121,575,962		129,494,081		121,344,501
Annual Operating Surplus (Deficit)	$	---	$	(248,554)	$	196,569

Statement of Surplus
Year Ended March 31, 2005

		2005		2004
Surplus, Beginning of Year	$	196,569	$	622,873
Surplus Transferred to Current Operations		(196,569)		(622,873)
		---		---
Excess (Deficiency) of Revenue over Expenditure		(248,554)		196,569
Surplus (Deficit), End of Year	$	(248,554)	$	196,569

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Cash provided by (used in)		
Operating activities		
Annual operating surplus (deficit)	$ (248,554)	$ 196,569
Non-cash items		
Tangible capital asset amortization	63,289	---
Prior year's surplus	(196,569)	(622,873)
Cash used in operating activities	(381,834)	(426,304)
Change in non-cash operating working capital		
(Increase) decrease in accounts receivable	(4,271,896)	2,800,181
(Increase) decrease in prepaid expenses	(79,200)	590,198
Increase (decrease) in accounts payable trade	827,680	(2,896,669)
Increase in salaries payable	5,412,561	---
Increase in payables and accruals - Government.	1,333,429	---
Increase (decrease) in deferred revenue	(290,570)	656,734
	2,550,170	724,140
Investing activities		
Purchase of tangible capital assets	(180,826)	---
Increase in cash	2,369,344	724,140
Cash position (deficiency), beginning of year	170,671	(553,469)
Cash position, end of year	$ 2,540,015	$ 170,671

Capital Fund Balance Sheet
March 31, 2005

ASSETS

	2005	2004
Fixed assets		
School buildings, land	$ ---	$ 56,096,213
Interest in properties	---	16,741,646
Equipment and furnishings	---	13,063,171
School buses and maintenance vehicles	---	8,177,204
Assets under capital leases	---	137,151
	$ ---	$ 94,215,385

EQUITY

	2005	2004
Investment in Capital Assets	$ ---	$ 94,215,385

Statement of Investment in Capital Assets
Year Ended March 31, 2005

	2005	2004
Balance, beginning of year	$ 94,215,385	$ 95,055,851
Capital purchases funded from operations:		
School buses and maintenance vehicles	---	166,894
	94,215,385	95,222,745
Write down of fully depreciated assets	(94,215,385)	---
Retirement of school buses and vehicles	---	(1,007,360)
Balance, end of year	$ ---	$ 94,215,385

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Scholarship Fund Balance sheet
March 31, 2005

ASSETS

	2005	2004
Cash and investments	$ 388,899	$ 372,590

EQUITY

	2005	2004
Rossetti Scholarship	$ 159,707	$ 159,968
Townsend Scholarship	1,014	995
McDonagh Scholarship	5,294	5,195
Panagiotakos Scholarship	9,142	8,972
McQuarrie Scholarship	3,130	3,149
Annie Hall Scholarship	1,990	1,954
C.J.C.B. Scholarship	4,494	4,494
Daniel Munroe Scholarship	3,044	3,037
John D. MacLeod Scholarship	1,016	1,012
Annie Bell Grady Memorial	20,364	19,985
T.L. Sullivan Memorial	2,038	2,024
Mary Elizabeth Brennan Scholarship	2,342	2,328
William Hillchie Memorial.	3,051	3,044
Isabel MacDermid Memorial	3,485	3,444
Wendell Coldwell Memorial	2,035	2,022
Jon David Corbett	3,056	3,039
Leonard Matheson.	1,397	1,386
Ellen Dunn Balah	4,133	4,051
George MacKay Bursary	141,970	142,491
Minor Hockey.	12,321	---
Fine Arts	3,032	---
Adult High Scholarship	844	---
	$ 388,899	$ 372,590

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Continuity of Scholarship Fund
Year Ended March 31, 2005

	Rossetti	Townsend	McDonagh	Panagiotakos	McQuarrie	Annie Hall	CJCB	Munro
Balance, beginning of year . . . . . $	159,968 $	995 $	5,195 $	8,972 $	3,149 $	1,954 $	4,494 $	3,037
Deposit.	---	---	---	---	---	---	---	---
Interest earned	2,614	19	99	170	131	36	---	57
	162,582	1,014	5,294	9,142	3,280	1,990	4,494	3,094
Scholarship awarded.	2,875	---	---	---	150	---	---	50
Balance, end of year . . . . $	159,707 $	1,014 $	5,294 $	9,142 $	3,130 $	1,990 $	4,494 $	3,044

	MacLeod	Grady	Sullivan	Adult High School	Brennan	Hillchie	MacDermid	Coldwell
Balance, beginning of year . . . . . $	1,012 $	19,985 $	2,024 $	--- $	2,328 $	3,044 $	3,444 $	2,022
Deposit	---	---	---	844	---	---	---	---
Interest earned	19	379	38	---	44	57	141	38
	1,031	20,364	2,062	844	2,372	3,101	3,585	2,060
Scholarship awarded.	15	---	24	---	30	50	100	25
Balance, end of year . . . . $	1,016 $	20,364 $	2,038 $	844 $	2,342 $	3,051 $	3,485 $	2,035

	Corbett	Matheson	Dunn Balah	MacKay	Minor Hockey	Fine Arts	2005 Total	2004 Total
Balance, beginning of year . . . . . $	3,039 $	1,386 $	4,051 $	142,491 $	--- $	--- $	372,590 $	376,176
Deposit	---	---	---	---	13,110	3,011	16,965	---
Interest earned	57	26	82	2,229	211	21	6,468	5,824
	3,096	1,412	4,133	144,720	13,321	3,032	396,023	382,000
Scholarship awarded.	40	15	---	2,750	1,000	---	7,124	9,410
Balance, end of year . . . . $	3,056 $	1,397 $	4,133 $	141,970 $	12,321 $	3,032 $	388,899 $	372,590

Notes to Financial Statements
March 31, 2005

The Cape Breton-Victoria Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria.

1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector which, for purposes of the Cape Breton-Victoria School Board's financial statements, are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

2. Accounts Receivable, Province of Nova Scotia

	2005	2004
TCA Capital	$ 127,908	$ ---
Teachers' Salary Accrual	3,154,000	---
Non-Teaching Vac. Pay Accrual	767,767	---
Information Economy Initiative	121,663	135,056
Sabbaticals	36,096	436,096
Special Maintenance Project	301,356	---
Gas Tax Rebate	23,154	24,983
Other	397,424	184,725
	$ 4,929,368	$ 780,860

3. Accounts Receivable, Government of Canada

	2005	2004
Harmonized sales tax	$ 527,589	$ 544,377
French Minority/French Special Projects	---	128,622
	$ 527,589	$ 672,999

4. Deferred Service Awards

Beginning April 1, 2002, the Province of Nova Scotia is assuming responsibility for the payment of Service Awards pursuant to the two Cape Breton Victoria Local NSTU collective agreements. The Province has determined the actuarial liability for future service award payment to be recorded on the books of school boards.

5. Fixed Assets

On January 1, 1982, the Municipality of the County of Cape Breton, the City of Sydney and the Towns of Louisbourg, Dominion, New Waterford and Glace Bay formed the Cape Breton District School Board. Under the agreement, all land and school buildings on hand at December 31, 1981, remain assets of the municipal unit but will be under the operational control of the District School Board until such time as the Board no longer requires the assets for school purposes. At that time, control will revert back to the municipality.

In 1970 the former Northside Victoria District School Board acquired title to certain land and buildings from its supporting municipalities, which were to be offered back to the municipalities at no cost if they were ever declared surplus by the Board. With the amalgamation of the two Boards, the agreements with municipalities for land and school buildings remains unchanged.

As a result of improvements made to school buildings, the Cape Breton-Victoria Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the Regional School Board under the circumstances noted above, a portion of the proceeds will be payable to the Regional School Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the Regional School Board.

6. Deferred Teachers' Salaries

Under the terms of the teachers' contract, the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 2005, the Board had $723,879 ($712,929 at March 31, 2004) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

7. Pension Plans

The Board's teachers are covered by a pension plan established and administered by the Province pursuant to the Teachers' Pension Act.

The Board's non-teaching staff are covered by a money-purchase pension plan.

8. Insurance

The Board is a member of the School Insurance Exchange, which provides all insurance coverage, except for fleet insurance, which is contracted to a private carrier.

9. Related Party Transactions

These financial statements do not include certain expenditures paid on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- P-3 school and facilities leases and operating costs, and
- Payments for the teachers' pension plans and medical premiums.

10. School Based Funds

The Education Act conveys authority to schools to raise funds - Section 38 (2) (0). These funds are used to enhance services to students. Schools report annually to the School Board on their school accounts, as required by statute. School accounts are the property of individual schools who have exclusive access to and decision-making authority over individual accounts. Consequently, these funds are not consoldiated with School Board funds. At March 31, 2005, $1,348,550 was on deposit in various school accounts.

11. Committments

The Board is obligated under various operating lease agreements for facilities and equipment which total $327,000 on an annual basis for varying terms.

12. Comparative Figures

The presentation of certain accounts of the previous year, presented for comparative purposes, has been changed to conform with the presentation adopted for the current year.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule A
Supplementary Details of Revenue
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Province of Nova Scotia			
Operating	95,343,500	96,694,801	93,884,234
Restricted	8,657,400	8,552,721	8,035,100
Capital	257,000	1,438,537	720,200
Wage & Vacation Pay Accrual	---	3,921,767	---
Other	155,493	215,742	589,228
Special Programs & Projects	780,240	649,995	871,668
Total Province of Nova Scotia	$ 105,193,633	$ 111,473,563	$ 104,100,430
Government of Canada			
IA Northern Development	1,000,000	1,085,551	958,220
Secretary of State	164,000	145,885	161,417
Total Government of Canada	$ 1,164,000	$ 1,231,436	$ 1,119,637
Municipal Contributions			
Mandatory	11,655,900	11,655,900	11,464,092
Total Municipal Contributions	$ 11,655,900	$ 11,655,900	$ 11,464,092
Other Revenues			
Board Generated - Other	2,363,860	3,574,818	2,715,329
Tuition - Students	312,000	308,922	318,776
Rentals	45,000	45,523	46,211
Investment Interest	125,000	115,419	124,286
Recoveries - Non-Government	20,000	26,067	20,333
Grants - Non-Governmental	500,000	617,310	1,009,103
Total Other Revenue	$ 3,365,860	$ 4,688,059	$ 4,234,038
Total Revenues	$ 121,379,393	$ 129,048,958	$ 120,918,199
Prior Year Surplus	196,569	196,569	622,873
Total	$ 121,575,962	$ 129,245,527	$ 121,541,072

Schedule B
Supplementary Details of Expenditures
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Board Governance			
Board Members	148,027	137,309	132,782
Board Secretary	44,548	43,305	41,884
NSSBA Dues	112,702	90,963	78,083
Total Board Governance	$ 305,277	$ 271,577	$ 252,749
Regional Management			
Management Services	998,154	1,156,070	1,018,513
Financial Services	1,032,054	1,297,854	975,572
Human Resource Services	476,406	478,565	456,048
Communication Services	43,218	47,740	55,526
ITS Regional	25,000	21,928	28,696
Total Regional Management	$ 2,574,832	$ 3,002,157	$ 2,534,355
School Management & Support			
School Management	10,001,570	10,647,322	10,056,534
Program & Curriculum Support	2,215,420	2,259,509	1,804,142
ITS Site Specific	377,819	328,910	247,121
Total School Management	$ 12,594,809	$ 13,235,741	$ 12,107,797
Instructional & School Services			
Instruction	65,866,440	68,898,800	66,556,604
Guidance Services	2,405,170	2,392,798	2,315,051
Library Services	535,160	535,235	535,148
ITS Instructional	36,848	23,186	35,000
Total Instructional & School Services	$ 68,843,618	$ 71,850,019	$ 69,441,803
Student Support			
Program Management	175,109	183,543	166,750
Instruction	11,886,733	12,474,703	10,849,995
Program & Curriculum Support	4,002,367	3,819,827	3,468,250
Total Student Support	$ 16,064,209	$ 16,478,073	$ 14,484,995

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B (Cont'd)
Supplementary Details of Expenditures
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Adult & Community Education			
Program Management	66,081	64,763	66,282
Instruction	511,487	502,940	495,528
Program & Curriculum Support	74,000	89,622	63,900
Total Adult & Community Education	$ 651,568	$ 657,325	$ 625,710
Property Services			
Management Services	264,597	347,804	154,351
Custodial Services	4,536,485	4,958,121	4,585,092
Maintenance Services	7,588,364	9,928,965	7,995,554
Grounds Services	564,172	553,352	669,477
Total Property Services	$ 12,953,618	$ 15,788,242	$ 13,404,474
Student Transportation			
Management Services	297,792	440,881	254,505
Transportation (Board)	2,859,007	3,103,946	2,995,827
Maintenance (Board)	2,044,792	2,141,808	2,071,898
Transportation (Contract)	248,200	253,815	252,315
Total Student Transportation	$ 5,449,791	$ 5,940,450	$ 5,574,545
Other Programs			
Other	2,078,240	2,207,208	2,918,073
TCA Amortization	60,000	63,289	---
Total Other Programs	$ 2,138,240	$ 2,270,497	$ 2,918,073

Schedule C
Supplementary Details of Grant Revenue and Expenditure
Year Ended March 31, 2005

From time to time, the Board receives funding for specific expenditure purposes. The Board accounts for such funding on a net expenditure basis so as not to distort the comparison of its actual expenditures within the context of their budgetary framework. A summary of the total funding and related expenditures for the year is presented below.

Program	Revenue	Expenditure	Net Cost
Child youth services	42,242	42,352	110
Anti-racism	9,169	9,169	---
Reading recovery	7,915	7,915	---
Breakfast Program	118,905	138,905	20,000
Cornwallis & Cusack	5,745	5,745	---
Math Grant - Sydney Academy	4,719	4,719	---
Heritage	4,735	4,735	---
Grassroots	5,850	5,850	---
N.S. International Students	276,152	276,152	---
Healthy Education	839	839	---
Active Readers - D. Crane.	3,650	6,418	2,768
Gaelic Language & Jr. High Networking.	401	401	---
Outreach Program.	37,749	38,075	326
CUPE Upgrading Essentials.	16,050	16,098	48
Language Arts - Active Young Readers.	44,541	44,541	---
Baddeck - J.H.N.W.	1,472	1,472	---
George D. Lewis	3,359	3,612	253
Morrision	3,348	3,348	---
St. Mike's	5,222	5,222	---
Sydney Mines	1,787	1,787	---
S.P.E.C.	2,740	2,740	---
Thompson	2,392	2,392	---
Rankin	1,472	1,472	---
Malcolm Munroe	1,291	2,472	1,181
MacLennan	2,253	2,253	---
MacDonald Complex	685	1,237	552
Dr. T.L. Sullivan	1,472	1,472	---
Donkin	1,472	1,472	---
Breton Education Ctr.	3,887	3,887	---
Whitney Pier Memorial	1,472	1,472	---
Bridgeport	1,602	1,602	---
Cabot	2,722	2,722	---
Workers Compensation	---	13,800	13,800
	$ 617,310	$ 656,348	$ 39,038

AUDITORS' REPORT

To the Board of Directors of
Capital District Health Authority

We have audited the statement of financial position - operating and capital funds of the Capital District Health Authority ("Capital Health") as at March 31, 2005 and the statements of fund balances, revenues and expenditures, and cash flow for the year then ended. These financial statements are the responsibility of Capital Health'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 mangement, 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 Capital Health as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 18, 2005

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Financial Position - Operating and Capital Funds
As at March 31, 2005

	Operating Fund	Capital Fund	Total 2005	Total 2004
		(in thousands)		
ASSETS				
Current				
Cash & short term investments	$ 30,948	$ ---	$ 30,948	$ 41,642
Accounts receivable	27,343	---	27,343	25,771
Due from Department of Health	20,682	---	20,682	14,052
Due from Provincial Drug Distribution Program	---	---	---	722
Due from Department of Finance	828	---	828	662
Due from Foundations	4,738	---	4,738	3,029
Due (to) from other fund	(8,976)	8,976	---	---
Inventories (note 3)	6,155	---	6,155	6,244
Prepaid expenses	2,223	---	2,223	1,582
	83,941	8,976	92,917	93,704
Due from Department of Health	5,477	---	5,477	6,406
Due from Foundations	3,069	---	3,069	---
Accounts receivable other	2,281	---	2,281	2,579
Due from Department of Finance (note 2 & 7)	84,907	---	84,907	76,727
Restricted cash and investments (notes 2 and 6)	22,286	---	22,286	18,052
Capital assets (note 4)	---	238,379	238,379	223,345
Parking garage (notes 4 and 11)	---	10,587	10,587	10,862
	$ 201,961	$ 257,942	$ 459,903	$ 431,675
LIABILITIES AND FUND BALANCE				
Current				
Accounts payable and accrued liabilities	$ 71,513	$ ---	$ 71,513	$ 76,275
Due to Provincial Drug Distribution Program	609	---	609	---
Deferred revenue (note 5)	22,621	9,038	31,659	25,982
Current portion of long-term debt (note 11)	---	341	341	321
	94,743	9,379	104,122	102,578
Restricted liabilities (notes 2 and 6)	22,286	---	22,286	18,052
Long-term debt (note 11)	---	10,184	10,184	10,525
Employee future benefits (notes 2 and 7)	84,907	---	84,907	77,162
	201,936	19,563	221,499	208,317
Fund Balance				
Operating surplus	25	---	25	13
Investment in capital assets	---	238,379	238,379	223,345
	25	238,379	238,404	223,358
	$ 201,961	$ 257,942	$ 459,903	$ 431,675

Commitments and contigencies (notes 8, 9, 10)
See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Fund Balances
Year ended March 31, 2005

OPERATING FUND

	2005	2004
	(in thousands)	
Balance, beginning of year	$ 13	$ ---
Net revenues over expenditures before amortization	300	130
Net amortization deficit	(275)	(117)
	38	13
Transfer of equity to operating fund	(13)	---
Balance, end of year	$ 25	$ 13

INVESTMENT IN CAPITAL ASSETS

	2005	2004
Capital funding, beginning of year	$ 479,968	$ 458,326
Capital funding for the year (Schedule C)	38,979	21,835
Disposal of capital assets	---	(193)
	518,947	479,968
Accumulated amortization of capital fund, beginning of year	(256,623)	(232,696)
Amortization of capital fund	(23,945)	(24,120)
Disposal of capital assets	---	193
Accumulated amortization of capital fund, end of year	(280,568)	(256,623)
Balance, end of year	$ 238,379	$ 223,345

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Revenues and Expenditures
Year ended March 31, 2005

	2005	2004
		(in thousands)
Operating		
Revenues (Schedule A)	$ 598,237	$ 573,551
Expenditures (Schedule B)	597,937	573,421
Results from operating activities	300	130
Capital		
Amortization of capital fund	23,945	24,120
Gain on sale of equipment	---	20
Depreciation	(24,220)	(24,257)
Results from capital activities	(275)	(117)
Results from operating and capital activities	25	13
Research		
Revenues	17,550	14,873
Expenditures	13,316	13,054
	4,234	1,819
Opening balance	18,052	16,233
Ending funds available for research	22,286	18,052
Funds committed to future periods	22,286	18,052
Results from research activities	---	---
Net revenues over expenditures	$ 25	$ 13

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Cash Flow
Year ended March 31, 2005

	2005	2004
		(in thousands)
OPERATING ACTIVITIES		
Net revenues over expenditures - operating fund	$ 300	$ 130
Items not requiring cash		
Results from capital activities	(275)	(117)
Depreciation	24,220	24,257
Amortization of capital fund	(23,945)	(24,120)
Changes in non-cash working capital items	(18,405)	2,341
Cash (used in) provided by operating activities	(18,105)	2,491
FINANCING ACTIVITIES		
Transfer of equity to operating fund	(13)	---
Capital funding (Schedule C)	38,979	21,835
Gain on sale of equipment	---	(20)
Employee future benefits	7,745	4,139
Parking garage - long-term debt	(321)	(154)
Restricted funding	4,234	1,819
Cash provided by financing activities	50,624	27,619
INVESTING ACTIVITIES		
Parking garage	---	(3,771)
Capital assets acquired (Schedule C)	(38,979)	(21,835)
Cash used in investing activities	(38,979)	(25,606)
Net (decrease) increase in cash during the year	(6,460)	4,504
Cash position, beginning of year	59,694	55,190
Cash position, end of year	$ 53,234	$ 59,694
Cash position, end of year is comprised as follows:		
Cash and short-term investments	30,948	41,642
Restricted cash and investments	22,286	18,052
	$ 53,234	$ 59,694

See accompanying notes

1. Nature of the Organization

Effective January 1, 2001 Bill 34 of the Province of Nova Scotia created the Capital District Health Authority "Capital Health". Capital Health includes the QE11 Health Sciences Centre, Nova Scotia Hospital and the former Central Regional Health Board. Collectively, these organizations provide core health services to 40% of the population of Nova Scotia, and tertiary and quarternary acute services to residents of Atlantic Canada.

Capital Health is a non-profit entity and, as such, is exempt from income tax.

2. Significant Accounting Policies

Fund accounting

Capital Health maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activties.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health related to the provision of hospital services.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Fund transfers represent deferred capital contributions for use in future periods.

Inventories

Inventories are stated at cost, being the lower of cost and replacement cost.

Capital Assets

Capital assets are recorded at cost and depreciated at the following annual rates:

Halifax Infirmary building	50 years straight-line
Dartmouth General Hospital and Hants building	40 years declining balance
Parking garage	40 years straight-line
Other buildings	20 - 50 years straight-line
Equipment	10 years straight-line
Leasehold improvements	10 years straight-line
Parking equipment	10 years straight-line
Information technology	5 years straight-line
Paving	5 years straight-line

Restricted cash and investments and restricted liabilities

Restricted cash and investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. Investments are stated at the lower of cost and market. The corresponding restricted liability represents the unexpended fund balance.

Revenue recognition

Capital health uses the deferral method of accounting for contributions and revenue recognition. Restricted contributions related to expenses of future periods are deferred, revenue is recognized in the period in which the related expenses are incurred.

Short-term investments
Short-term investments are recorded at market value at the balance sheet date.

Capital contributions
Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

Employee future benefits/Due from Department of Finance
Employee future benefits include retirement allowances/public service awards paid to employees upon retirement, health and life insurance, as well as three separate pension funds. A liability for employee future benefits has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. (notes 7 and 8)

Financial instruments
The organization's primary financial instruments consist of receivables, payables and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments.

3. Inventories

	2005	2004
		(in thousands)
Drugs	$ 4,178	$ 4,337
General supplies	1,038	898
Medical and surgical	939	1,009
	$ 6,155	$ 6,244

4. Capital Assets

	2005		2004	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
		(in thousands)		
Land	$ 324	$ ---	$ 324	$ ---
Land improvements	846	151	846	146
Halifax Infirmary building	110,023	18,668	110,023	16,467
Other Buildings	74,640	36,893	74,640	35,680
Equipment	201,420	147,396	186,489	136,116
Leasehold improvements	90,584	40,947	70,968	33,157
Information technology	40,778	36,188	36,346	34,733
Parking equipment	20	13	20	12
Paving	312	312	312	312
	518,947	280,568	479,968	256,623
Less: accumulated depreciation	280,568		256,623	
	$ 238,379		$ 223,345	

	2005		2004	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
			(in thousands)	
Parking Garage	$ 11,000	$ 413	$ 11,000	$ 138
Less: accumulated depreciation	413		138	
	$ 10,587		$ 10,862	

5. Deferred Revenue

Deferred revenue in the operating fund of $22,621,014 (2004 - $20,485,570) represents advance funding received from the Department of Health for the 2005/06 fiscal year and other program deferred funding. Deferred revenue in the capital fund of $9,038,109 (2004 - $5,496,510) represents advance funding for capital equipment to be purchased subsequent to March 31, 2005.

6. Restricted Cash and Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the fiscal year 2004/2005, research revenue totaled $17,550,000 and research expenses totaled $13,317,000 resulting in a net increase of $4,234,000.

	2005	2004
	(in thousands)	
Centre for Clinical Research	$ 16,874	$ 14,233
Other	5,412	3,819
	$ 22,286	$ 18,052

7. Employee Future Benefits

Retirement allowance

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption charges are amortized on a linear basis over the expected average remaining service life of twelve years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded.

Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service (max. 26 weeks) that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, government agencies and boards.

Capital Health has provided for retirement allowances as follows:

		2005		2004
				(in thousands)
Accrued benefit liability				
Beginning balance, retiring allowances	$	35,069	$	30,930
Current service cost for the year		2,420		2,324
Interest cost during the year		2,287		2,183
Plan amendment		---		1,087
Amortization of experience gain (loss)		250		45
Estimated fiscal payments for employees		(1,601)		(1,500)
Ending balance, retiring allowances	$	38,425	$	35,069

		2005		2004
				(in thousands)
Employee future benefits retirement expense				
Current service costs	$	2,670	$	2,324
Interest on accrued benefits		2,287		2,183
Plan Amendment		---		1,087
Amortization of experience loss		---		45
	$	4,957	$	5,639

The significant actuarial assumptions adopted in measuring the company's retirements allowance are as follows (weighted-average assumptions) as at March 31, 2005:

	Retirement Allowance
Discount rate	6.05%
Retirement % at age 65	50.0%
Average age of employees	43.6
Average age of services	13.3
Future mortality rate	(GAM 94, Proj. to 2000)
Rate of compensation increase	3.40%

Health and Life Insurance

Capital Health provides health and life insurance benefits to employees upon retirement. Per Union Collective agreements employees are entitled to receive this benefit upon retirement. The benefit is an optional choice for employees at retirement. Capital Health contributes to the cost of these premiums. The health and life insurance value is calculated by the Provincial Department of Finance for Capital Health. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of fifteen years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting accounts receivable balance is recorded. The March 2004 statements have been restated by $41,658,000 to reflect the results of this future benefit.

Capital Health has provided for health and life insurance as follows:

		2005		2004
				(in thousands)
Accrued benefit liability				
Beginning balance, health and life	$	41,658	$	37,161
Current service cost for the year		2,485		2,373
Interest cost during the year		2,647		2,359
Plan amendment		---		---
Amortization of experience gain (loss)		---		---
Estimated fiscal payments for employees		(308)		(235)
Ending balance, health and life	$	46,482	$	41,658

		2005		2004
				(in thousands)
Employee future benefits health and life expense				
Current service costs	$	2,485	$	2,373
Interest on accrued benefits		2,647		2,359
Plan Amendment		---		---
Amortization of experience loss		---		---
	$	5,132	$	4,732

The significant actuarial assumptions adopted in measuring the company's health and life insurance are as follows (weighted-average assumptions) as at March 31, 2005:

	Health/Life
Discount rate	6.05%
Retirement % at age 65	50%
Participation Rate - Health	95%
Participation Rate - Life	75%
Future mortality rate	(GAM 94, Proj. 2000)
Rate of compensation increase	2.9% Plus Prom. Increase

8. Pension Funds

Public Service Superannuation Fund

Most former employees of the Victoria General Hospital ("VGH"), Cancer Treatment and Research Foundation ("CTRF"), Nova Scotia Hospital ("NSH"), Public Health and Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations

Employees of the former Nova Scotia Rehabilitation Centre ("NSRC"), Camp Hill Medical Centre ("CHMC") and the Central Regional Health Board ("CRHB") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2003 and showed funding excess for the entire plan of over $104,831,000. Capital Health is not responsible for any unfunded liability in this plan.

Federal Superannuation Fund

A small group of employees of the former Camp Hill Medical Centre ("CHMC") who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Public Works and Government Services Canada administer the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans are as follows:

	2005	2004
	(in thousands)	
Employer contributions	$ 18,989	$ 17,378

9. Long-Term Disability Plan

Public Service Long Term Disability Plan Trust Fund

Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at December 31, 2003 and disclosed an unfunded liability of approximately $35,274,000. Capital Health is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations

Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of August 31, 2003, this valuation indicates a funding deficiency of $6,258,000. Capital Health is not responsible for any unfunded liability in this plan.

Canada Life Plan

Employees of the former NS Rehabilitation Centre are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life. Capital Health is not responsible for any unfunded liability in this plan.

10. Operating Lease Commitments

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ended March 31:

	(in thousands)
2006	$6,058
2007	5,992
2008	5,981
2009	6,002
2010	6,006

11. Long-Term Debt/Parking Garage

		2005		2004
		(in thousands)		
Term loan	$	10,525	$	10,846
Less: current portion		341		321
	$	10,184	$	10,525

In 2003/2004 Capital Health received approval from its Board of Directors and the Department of Health to construct a new multi-level parking garage at its Halifax Infirmary site. The parking garage became fully operational in the 2004/2005 fiscal year, the final project cost amounted to $11,000,000.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this Capital Project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan bears interest at 5.913%, matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totaling $478,961.

Principal repayments for each of the next five years are as follows:

Fiscal		(in thousands)
2006	$	341
2007		361
2008		383
2009		406
2010		430
Thereafter in aggregate		8,604

12. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

13. Related Parties

Within Capital Health there are seven foundations and one auxiliary. These organizations provide funding contributions for specific resources of Capital Health, through fundraising activities. The balances due to and due from related parties are non-interest bearing.

The following commitments were recognized from each foundation and auxiliary for the year ended March 31:

		2005		2004
		(in thousands)		
Related Parties				
Partners For Care	$	3,600,000	$	3,250,000
QEII Health Sciences Centre Foundation		2,675,821		910,861
Dartmouth General Hospital Foundation.		1,158,513		1,372,391
Cobequid Multi-purpose Centre Foundation		3,689,112		416,867
Hants Hospital Foundation.		117,467		55,866
Mental Health Foundation Of Nova Scotia.		29,500		29,500
Eastern Shore Hospital Fund.		27,124		---

14. Contingencies

Legal advice and representation has been sought in regards to two diciplinary matters. Currently no damage claims are outstanding and the outcome is not determinable.

A claim has been brought against the Nova Scotia Hospital (the Attorney General of Nova Scotia). This claim by a former patient involves allegations against unidentified former employee(s) and damages sought are approximately $500,000. The outcome of this matter is not determinable at this time.

Two related claims have commenced by a member of the Medical Staff of the QEII Sciences Centre. Currently no specific damage claims are outstanding and the outcome is not determinable.

Schedule A

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Revenues Operating Fund
Year ended March 31, 2005

	Operating	**Provincial Funded Programs**	**Total 2005**	**Total 2004**
			(in thousands)	
Department of Health . . . . $	430,906 $	96,686 $	527,592 $	503,032
Federal Government.	10,502	10,824	21,326	19,741
Other	7,892	---	7,892	10,397
Preferred accommodation	6,259	---	6,259	7,090
Non-resident billings.	9,374	---	9,374	8,491
Dietary	5,832	---	5,832	5,404
Lab and support services	5,969	---	5,969	5,458
Provincial grants	10,089	---	10,089	10,371
Workers Compensation Board	3,904	---	3,904	3,567
Revenues. . . . . $	490,727 $	107,510 $	598,237 $	573,551

Schedule B

Schedule of Expenditures Operating Fund
Year ended March 31, 2005

	Operating	**Provincial Funded Research**	**Total 2005**	**Total 2004**
			(in thousands)	
Compensation . . . . $	328,283 $	85,096 $	413,379 $	407,631
Medical/surgical supplies	51,141	4,461	55,602	46,053
Plant maintenance/utilities	35,163	3,366	38,529	36,495
Drugs	22,385	2,536	24,921	22,721
Other.	20,259	5,056	25,315	22,660
Purchased services.	11,493	4,606	16,099	14,629
Lab/diagnostic supplies	12,996	370	13,366	12,211
Retirement allowance expense	10,089	---	10,089	10,371
Interest expense.	637	---	637	650
Expenditures. . . . . $	492,446 $	105,491 $	597,937 $	573,421

Schedule C

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Changes in Capital
Year ended March 31, 2005

	2005	2004
	(in thousands)	
Capital Funding		
Department of Health (Capital Grant)	3,813	5,198
Department of Health (Other)	16,716	5,044
Foundations	6,226	2,741
Clinical Research	338	---
Other	2,799	7,565
Federal Government	9,087	1,287
	$ 38,979	$ 21,835
Capital Expenditures		
Equipment	14,930	14,782
Leasehold improvements	19,616	6,279
Information technology	4,433	774
	38,979	21,835
Capital deficit funding from Department of Health	$ ---	$ ---

Unaudited

CHECK INNS LIMITED

Balance Sheet
Year Ended March 31, 2005

		2005		2004
Assets				
Assets	$	---	$	---
Liabilities				
Current				
Payables and Accruals				
Department of Tourism, Culture & Heritage	$	89,907	$	89,907
	$	89,907	$	89,907
Shareholder's Equity				
Capital Stock				
Authorized				
5,000 common shares with par value of $1 each				
Issued				
3 common shares	$	3	$	3
Retained earnings		(89,910)		(89,910)
	$	(89,907)	$	(89,907)
	$	---	$	---

AUDITORS' REPORT

To the Chairperson and Members
of the Board

We have audited the statement of financial position of Chignecto-Central Regional School Board as at March 31, 2005 and the statements of accumulated surplus, operations and accumulated surplus, change in net financial resources and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 Board as at March 31, 2005 and the results of its operations, changes in net financial resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 23, 2005

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Financial Position
As At March 31, 2005

ASSETS

		2005		Restated 2004
Financial Assets				
Cash and cash equivalents				
General	$	4,680,430	$	4,669,555
School generated funds		2,310,609		---
		6,991,039		4,669,555
Accounts receivable:				
Government of Canada (note 3)		722,320		532,323
Province of Nova Scotia (note 4)		4,797,221		1,375,787
First Nations		2,586,432		2,104,179
Municipalities		86		637
Other		1,107,047		330,706
Province of Nova Scotia - Service Awards (note 5)		17,018,779		17,434,280
Due from trust funds		---		1,000
Restricted cash and investments		14,260		14,076
Total Financial Assets		33,237,184		26,462,543
Liabilities				
Accounts payable and accrued liabilities		8,710,451		4,357,684
Deferred revenue		910,587		848,695
Service awards (note 5)		17,018,779		17,434,280
Deferred contributions - capital assets, net of accumulated amortization of $105,020 (2004 - $57,916)		894,980		942,084
Total Liabilities		27,534,797		23,582,743
Net Financial Resources		5,702,387		2,879,800
Non-Financial Assets				
Prepaid expenses		643,470		97,094
Inventories of supplies		613,551		---
Tangible capital assets		2,629,710		2,505,557
Total Non-Financial Assets		3,886,731		2,602,651
Accumulated Surplus	$	9,589,118	$	5,482,451

Commitments (note 10)

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Accumulated Surplus
As At March 31, 2005

	2005	Restated 2004
Accumulated Surplus		
Unrestricted	$ 6,995,456	$ 5,274,264
Internally restricted funds		
School generated funds	2,405,315	---
Instructional program enhancement at school level	174,087	194,111
	2,579,402	194,111
Special capital reserve	14,260	14,076
	$ 9,589,118	$ 5,482,451

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Operations and Accumulated Surplus
Year Ended March 31, 2005

	2005 Budget	2005 Actual	Restated 2004 Actual
Revenue			
Province of Nova Scotia . . . . $	124,177,541 $	131,907,771 $	123,576,234
Appropriation from Councils	20,860,700	20,860,976	20,021,869
School generated funds.	---	6,225,204	---
Board operations	2,238,722	2,849,893	3,139,373
First Nations.	2,300,000	2,927,178	2,640,674
Government of Canada.	276,285	668,328	357,254
	149,853,248	165,439,350	149,735,404
Expenditures			
Board governance	308,362	349,791	361,120
Regional management	3,957,995	3,985,524	3,538,857
School management and support	14,721,979	15,165,887	14,716,310
Instruction and school services	84,785,014	89,092,241	84,757,715
Student support.	16,503,598	16,973,985	15,143,991
Adult and community education.	889,166	1,058,697	921,258
Property services	19,188,125	20,349,863	18,283,161
Pupil transportation.	9,310,641	9,034,468	8,767,896
Other programs	867,868	1,314,880	1,194,500
School generated funds.	---	6,018,244	---
Capital asset amortization	206,500	187,458	143,816
Interest expense	70,000	---	---
	150,809,248	163,531,038	147,828,624
Surplus (Deficit) . . . .$	(956,000)$	1,908,312 $	1,906,780

Accumulated Surplus, beginning of year:

	2005 Actual	Restated 2004 Actual
As previously reported. . . . . $	1,969,274 $	41,437
Retroactive effect of adoption of Public Sector Accounting Board recommendations (note 2)	5,711,532	3,534,234
As restated	7,680,806	3,575,671
Accumulated Surplus, end of year . . . . $	9,589,118 $	5,482,451

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Change in Net Financial Resources
For The Year Ended March 31, 2005

	2005 Actual	Restated 2004 Actual
Net Financial Resources, beginning of year	$ 2,879,800	$ 592,228
Retroactive effect of Public Sector Accounting Board recommendations (note 2)	2,198,355	---
As restated	5,078,155	592,228
Changes during the year:		
Annual surplus	1,908,312	1,906,780
Acquisition of tangible capital assets	(311,611)	(201,313)
Amortization of tangible capital assets	187,458	143,816
Increase in inventories of supplies	(613,551)	---
(Increase) decrease in prepaid expenses	(546,376)	438,289
Increase in net financial resources	624,232	2,287,572
Net Financial Resources, end of year	$ 5,702,387	$ 2,879,800

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Statement of Cash Flows
For The Year Ended March 31, 2005

	2005	Restated 2004
Operating Activities		
Cash received from:		
Annual operating surplus	$ 1,908,312	$ 1,906,780
Items not affecting cash:		
Capital asset amortization	187,458	143,816
Deferred contributions amortization	(47,104)	(49,583)
	140,354	94,233
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(4,869,474)	4,824,432
Increase in inventories of supplies	(613,551)	---
Decrease (increase) in prepaid expenses	(546,376)	438,289
Decrease (increase) in due from trust funds	1,000	(1,000)
Increase in restricted cash and investments	(184)	(220)
Increase (decrease) in accounts payable and accruals	4,352,767	(4,484,912)
Increase in deferred revenue	61,892	14,667
	(1,613,926)	791,256
Cash provided by operating activities	434,740	2,792,269
Capital activities		
Cash used to acquire tangible capital assets	(311,611)	(201,313)
Cash applied to capital activities	(311,611)	(201,313)
Increase in cash	123,129	2,590,956
Cash, beginning of year, as previously reported	1,232,613	9,595
Net cash provided on adoption of Public Sector Accounting Board recommendations (note 2)	5,635,297	2,069,004
Cash, beginning of year, as restated	6,867,910	2,078,599
Cash, end of year	$ 6,991,039	$ 4,669,555

Notes to Financial Statements
Year ended March 31, 2005

Pursuant to an Act passed by the Province of Nova Scotia, the Colchester-East Hants District School Board, Cumberland District School Board, and the Pictou District School Board were amalgamated to form the Chignecto-Central Regional School Board. The Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system.

1. Financial Reporting and Accounting Policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

(a) Significant accounting policies:

Revenues
Revenues are recorded on the accrual basis. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

Expenses
Expenses are recorded on the accrual basis. Provisions are made for probable losses on certain loans, investments, accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets
Cash and cash equivalents are recorded at cost which approximates market value. Accounts receivable are recorded at the principal amount less valuation allowances.

Liabilities
Pension, retirement and other obligations include various employee benefits.

Net Financial Resources
Net financial resources represents the financial assets less direct liabilities of the Board.

Non Financial Assets
Tangible capital assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at historical cost (or estimated cost when the actual is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Inventories represent amounts expended on supplies and other consumables which will be used or consumed in a future period. They are recorded at the lower of cost and net realizable value. Once items have been shipped to the schools they are expensed and are not considered inventory.

Accumulated Surplus
Accumulated surplus represents the financial assets and non-financial assets of the Board less the liabilities. This represents the accumulated balance of net surplus arising from the operations of Board.

Use of Estimates
The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

2. Adoption of Public Sector Accounting Board Recommendations:

Effective April 1, 2004 the Board adopted the Public Sector Accounting Board recommendations with the result that a number of accounting policies were changed to conform with the recommendations. Certain of the changes were made retroactively with restatement of prior years' surpluses as indicated on the statement of operations. In addition, the revenue for 2004 has been increased by $1,772. For certain of the changes the prior years' effect was not determinable and accordingly, these changes have been applied prospectively in the 2005 fiscal year.

3. Accounts Receivable, Government of Canada:

	2005	2004
Harmonized Sales Tax	$ 682,686	$ 532,323
Other	39,634	---
	$ 722,320	$ 532,323

4. Accounts Receivable, Province of Nova Scotia:

	2005	2004
Teacher's salary accrual	$ 3,607,000	$ ---
Vacation pay accrual	181,613	---
Technology grants	160,000	160,000
Special capital projects	136,836	633,002
Information Economy Initiative	144,326	86,825
Technology Refresh	251,235	223,928
Other	316,211	272,032
	$ 4,797,221	$ 1,375,787

5. Service Award Program:

Teachers receive a service award upon retirement, disability, death or termination, when entitled to a vested pension under the contracts between the Nova Scotia Teachers Union locals and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards were required to make certain entries on their financial statements beginning with the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance in relation to an independent actuarial valuation performed for them. This evaluation calculated the present value of the service awards payable for past services for the Board to be $17,018,779 as of March 31, 2005 ($17,434,280 - 2004). Beginning April 1, 2002, school boards are required to expense 1% of payroll to the Province towards these costs.

6. Capital Assets:

In 1982, on creation of the former District School Boards, an agreement was made with respect to capital assets which stated that all land and school buildings on hand at December 31, 1981 remain assets of the municipal units but will be under the operational control of the District School Boards until such time as the school boards no longer require the assets for school purposes. At that time, control will revert back to the municipalities. In addition, one of the former district school boards also had an agreement to offer back to the municipalities, at no cost, certain land and buildings acquired in 1970 if they are ever declared surplus by the Board. These agreements have been carried forward to the Regional School Board.

As a result of improvements made to school buildings, the Chignecto-Central Regional School Board has an interest in real property to which it does not have title. Under the Education Act, should a building returned by the Board under the circumstances noted above, be sold by the Municipal unit or destroyed, a portion of any proceeds will be payable to the Board.

7. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

8. Pension Plans:

The Board's Canadian Union of Public Employees (CUPE) staff participates in a multi-employer defined benefit pension plan on behalf of the Board by the Nova Scotia School Board Association. The latest actuarial valuation was performed on December 31, 2003 and indicated accrued pension benefits of $15,537,800 and pension fund assets with market values of $15,653,300.

The Board's Nova Scotia Government Employees Union (NSGEU) and non-union staff are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Public Service Superannuation Act.

The Board's teachers are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

As all of the above arrangements are multi-employer plans the Board accounts for them as defined contribution plans and as such no accrued liability is recorded by the Board and only the contributions paid or payable are expensed in the year.

9. Fair Value of Financial Assets and Financial Liabilities:

The fair value of the Board's accounts receivable and accounts payable approximate their carrying amounts due to the immediate short-term maturity of these financial instruments.

10. Commitments:

The Board is committed to rent premises under operating leases through to 2009 with minimum annual lease payments as follows:

2006	$	51,990
2007		51,990
2008		51,990
2009		20,062

11. Comparative Figures:

Certian of the 2004 comparative figures have been reclassified to conform to the financial statement presentation adopted by the Board for 2005.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Year Ended March 31, 2005

	2005 Budget	2005 Actual	(Restated) 2004 Actual
Province of Nova Scotia:			
General formula	$ 112,607,500	$ 112,806,997	$ 109,629,500
Special education	8,264,100	8,264,100	8,007,600
Textbook credit allocation	1,263,400	1,263,400	1,263,000
Teacher salary accrual (Note 2)	---	3,607,000	---
Vacation pay accrual (Note 2)	---	181,613	---
Special capital grants	324,000	674,312	505,300
French special projects	83,714	95,075	100,366
Service awards funding (note 5)	1,034,000	2,443,699	2,027,079
Information Economy Initiative	371,275	376,916	526,213
Cobetec Grant	100,000	100,000	100,000
Adult High grant	82,552	235,743	103,022
Early Identification Intervention Service	---	45,166	65,546
Capital revenue	47,000	47,104	49,583
Other	---	1,766,646	1,199,025
	$ 124,177,541	$ 131,907,771	$ 123,576,234

	2005 Budget	2005 Actual	(Restated) 2004 Actual
Appropriation From Councils:			
Municipality of Colchester	$ 4,990,724	$ 4,990,728	$ 4,827,720
Municipality of Cumberland	2,643,888	2,643,893	2,538,708
Municipality of East Hants	2,699,691	2,699,688	2,566,644
Municipality of Pictou	3,492,310	3,492,324	3,318,169
Town of Amherst	1,182,426	1,182,432	1,146,648
Town of New Glasgow	1,353,454	1,353,456	1,282,417
Town of Oxford	228,792	228,792	222,372
Town of Parrsboro	144,348	144,348	138,972
Town of Pictou	366,515	366,516	358,776
Town of Springhill	388,978	388,980	368,352
Town of Stellarton	585,773	586,011	571,428
Town of Stewiacke	154,170	154,176	150,300
Town of Trenton	294,317	294,312	266,232
Town of Truro	2,063,275	2,063,280	2,008,200
Town of Westville	272,039	272,040	256,931
	$ 20,860,700	$ 20,860,976	$ 20,021,869

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue (continued)
Year Ended March 31, 2005

	2005 Budget	2005 Actual	(Restated) 2004 Actual
Board Operations:			
Public Private Partnership	$ 609,000	$ 647,782	$ 633,976
Investment interest	175,000	217,259	213,671
Adult education fees	105,000	99,401	103,022
Rentals	429,646	490,475	484,233
Summer School	38,000	38,682	29,717
International Student Program	799,141	1,281,897	1,102,506
Cafeterias	---	---	388,111
Other	82,935	74,397	184,137
	$ 2,238,722	$ 2,849,893	$ 3,139,373
Government of Canada:			
Secretary of State:			
Minority language	$ 47,000	$ 61,264	$ 44,687
French special projects	209,285	249,093	270,092
Employment and Immigration Canada	20,000	307,044	42,475
Other	---	50,927	---
	$ 276,285	$ 668,328	$ 357,254

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Year Ended March 31, 2005

	2005 Budget	2005 Actual	(Restated) 2004 Actual
Board Governance:			
Member honorarium . . . . $	129,000 $	136,892 $	125,400
Secretarial wages	46,257	47,489	45,358
Benefits	18,813	14,096	15,149
Travel	31,100	38,838	22,924
Telecommunications	10,200	8,451	12,857
Supplies and materials	15,300	8,287	5,633
Professional development	(42,800)	(34,557)	33,031
Dues and fees	100,492	100,492	86,662
School board elections	---	29,803	14,106
$	308,362 $	349,791 $	361,120
Regional Management:			
Salaries and wages . . . .$	2,573,079 $	2,587,757 $	2,234,066
Employee benefits.	327,947	308,324	238,442
Travel.	86,980	110,740	97,492
Professional fees	189,000	92,746	142,127
Consulting and contracted services	82,000	109,770	191,220
Equipment.	60,000	126,724	69,282
Telecommunications.	102,500	74,979	71,137
Advertising.	51,500	40,426	39,218
Supplies and materials	283,749	326,906	279,779
Professional development	78,840	68,480	49,801
Administrative services.	122,400	138,672	126,293
$	3,957,995 $	3,985,524 $	3,538,857
School Management and Support:			
Salaries and wages . . . .$	11,321,453 $	11,328,430 $	11,218,055
Employee benefits.	931,805	870,075	872,822
Travel.	108,500	83,952	92,938
Equipment.	---	414,311	240,434
Telecommunications.	127,900	47,981	65,909
Curriculum development	691,331	984,428	838,190
Supplies and materials	453,418	470,742	623,125
Professional development	1,087,572	965,968	764,837
$	14,721,979 $	15,165,887 $	14,716,310

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year Ended March 31, 2005

	2005 Budget	2005 Actual	(Restated) 2004 Actual
Instruction and School Services:			
Salaries and wages	$ 75,218,355	$ 77,907,408	$ 74,095,571
Employee benefits	4,606,736	4,228,736	4,403,829
Service awards (note 5)	1,034,000	1,175,699	961,079
Service award interest expense (note 5)	---	1,268,000	1,066,000
Travel	101,000	126,912	98,663
Equipment	116,257	524,592	261,825
Telecommunications	572,135	553,491	514,152
Textbook credit allocation	1,263,400	1,263,400	1,263,804
Curriculum development	81,057	97,444	88,059
Supplies and materials	1,727,074	1,932,260	1,990,067
Professional development	65,000	14,299	14,666
	$ 84,785,014	$ 89,092,241	$ 84,757,715
Student Support:			
Salaries and wages	$ 14,849,761	$ 15,017,520	$ 13,424,404
Employee benefits	1,266,937	1,330,018	1,200,333
Travel	81,900	103,534	110,132
Equipment	60,000	65,745	7,487
Telecommunications	26,000	25,818	25,628
Supplies and materials	219,000	415,407	363,074
Professional development	---	15,943	12,933
	$ 16,503,598	$ 16,973,985	$ 15,143,991
Adult and Community Education:			
Salaries and wages	$ 723,457	$ 763,632	$ 676,006
Employee benefits	74,709	109,243	70,165
Travel	7,500	15,723	9,162
Facilities rental	2,500	---	490
Equipment	---	63,474	75,529
Telecommunications	11,500	20,965	15,944
Advertising	25,000	24,208	21,532
Supplies and materials	43,000	56,432	47,724
Professional development	1,500	5,020	4,706
	$ 889,166	$ 1,058,697	$ 921,258

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year Ended March 31, 2005

	2005 Budget	2005 Actual	(Restated) 2004 Actual
Property Services:			
Salaries and wages	$ 8,329,087	$ 8,361,811	$ 7,766,317
Employee benefits	1,515,066	1,427,548	1,311,400
Travel	30,000	20,838	24,768
Contract services	386,132	527,794	487,778
Repairs and maintenance	2,000,000	2,638,811	2,325,094
Vehicles	---	181,134	123,276
Telecommunications	48,000	69,685	68,751
Supplies and materials	506,000	504,779	541,236
Utilities	5,730,000	5,996,313	5,032,192
Professional development	15,000	24,296	28,038
Insurance	628,840	596,854	574,311
	$ 19,188,125	$ 20,349,863	$ 18,283,161
Pupil Transportaton:			
Salaries and wages	$ 4,407,778	$ 4,477,485	$ 4,270,417
Employee benefits	854,625	739,417	679,667
Travel	6,000	7,684	3,588
Equipment	15,000	68,144	41,476
Vehicle	1,409,000	1,132,198	1,235,683
Contract conveyance	2,170,392	2,112,372	2,085,187
Telecommunications	45,000	36,543	44,776
Supplies and materials	56,000	119,472	82,731
Utilities	59,000	58,652	52,868
Professional development	10,000	11,064	19,575
Insurance	277,846	271,437	251,928
	$ 9,310,641	$ 9,034,468	$ 8,767,896
Other Programs:			
Salaries and wages	$ 208,260	$ 453,345	$ 354,367
Employee benefits	15,108	33,092	50,506
Travel	17,000	27,399	24,201
Homestays	360,000	385,645	357,100
Equipment	---	70,385	33,427
Contracted services	---	72,248	36,568
Telecommunications	2,000	4,669	63
Supplies and materials	263,200	268,097	150,144
Cafeteria food supplies	---	---	188,124
Dues and fees	2,300	---	---
	$ 867,868	$ 1,314,880	$ 1,194,500

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Tangible Capital Assets
Year Ended March 31, 2005

	Land	Buildings	Vehicles	2005 Total	2004 Total
Cost:					
Opening Balance. . . . . $	91,182 $	2,451,769 $	126,228 $	2,669,179 $	2,467,866
Additions.	26,710	---	284,901	311,611	201,313
Disposals.	---	---	---	---	---
Closing Balance.	117,892	2,451,769	411,129	2,980,790	2,669,179
Accumulated Amortization:					
Opening Balance.	---	141,404	22,218	163,622	19,806
Disposals.	---	---	---	---	---
Amortization Expense. . . .	---	115,518	71,940	187,458	143,816
Closing Balance.	---	256,922	94,158	351,080	163,622
Net Book Value. . . . . $	117,892 $	2,194,847 $	316,971 $	2,629,710 $	2,505,557
Net Book Value:					
Opening Balance. . . . . $	91,182 $	2,310,365 $	104,010 $	2,505,557 $	2,448,060
Closing Balance.	117,892	2,194,847	316,971	2,629,710	2,505,557
Increase (decrease) in Net Book Value. . . . .$	26,710 $	(115,518)$	212,961 $	124,153 $	57,497

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule D - Trust Funds Balance Sheet
March 31, 2005

ASSETS

		2005		2004
Cash	$	29,345	$	22,038
Investments		397,481		397,400
	$	426,826	$	419,438

LIABILITIES

Due to operating	$	---	$	1,000

EQUITY

Trust Funds (Schedule E)		426,826		418,438
	$	426,826	$	419,438

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule E - Supplementary Details of Trust Funds
Year Ended March 31, 2005

	2004	Addition	Interest	Disbursement	2005
ARHS Prize . . . . $	1,869 $	--- $	80 $	20 $	1,929
Biggs.	21,216	---	1,069	750	21,535
Blaikie.	1,460	---	25	500	985
Brine.	1,205	---	---	36	1,169
Campbell	1,203	---	31	30	1,204
Chignecto Family. . .	7,077	8,800	8	6,932	8,953
Christie.	13,855	2,895	638	1,000	16,388
Class of Fifty.	---	---	---	---	---
Cole	2,053	---	31	20	2,064
Coleman.	481	---	---	250	231
Decker.	6,007	---	108	200	5,915
Dempsey	226	40	---	225	41
Devenne	4,897	---	---	50	4,847
Dowe.	711	---	20	20	711
Dunbar.	3,005	---	---	90	2,915
Eaton	1,408	---	64	---	1,472
Edwards.	4,692	705	99	500	4,996
Fields	1,724	---	---	---	1,724
Fife	---	875	---	---	875
Fulmer	25,122	---	1,042	---	26,164
Gosse	2,980	---	394	205	3,169
Harrison.	5,090	350	---	250	5,190
Hewson	23,861	---	---	1,150	22,711
Hunter	44,031	---	2,374	1,000	45,405
Kirkpatrick	965	710	12	100	1,587
LaFarge.	9,000	---	619	1,000	8,619
Loggie.	14,078	---	244	113	14,209
MacInnis.	2,000	---	95	95	2,000
MacKenzie.	12,018	---	510	500	12,028
McBrien	4,995	---	235	500	4,730
MacIver	1,594	---	---	45	1,549
McIver	6,003	---	108	100	6,011
Milner	1,729	50	28	100	1,707
Parker	2,949	---	44	2,993	---
Parrsboro Prize	1,009	---	26	25	1,010
Puglsey	79,760	---	3,587	1,750	81,597
Red Cross.	2,924	---	79	50	2,953
Roach.	1,232	---	23	---	1,255
Smith	1,532	---	---	45	1,487
Sorge	5,477	---	---	175	5,302
Stay-in-School.	13,973	---	592	600	13,965
Taylor	8,396	---	98	1,000	7,494
Thompson.	13,005	---	231	200	13,036
Tingley.	13,379	---	651	500	13,530
Tye.	42,176	3,500	712	500	45,888
Wilkes	6,071	250	105	150	6,276
$	418,438 $	18,175 $	13,982 $	23,769 $	426,826

AUDITORS' REPORT

To the Board of Directors of
Colchester East Hants Health Authority

We have audited the statement of financial position of Colchester East Hants Health Authority as at March 31, 2005 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 Colchester East Hants Health Authority as at March 31, 2005, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
May 31, 2005

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Financial Position
March 31, 2005

ASSETS

	Operating Fund	Capital Fund	Total 2005	Total 2004
Current				
Cash and cash equivalents (Note 3)	$ 3,506,645	$ ---	$ 3,506,645	$ 3,497,469
Receivables (Note 4)	4,335,689	3,069,974	7,405,663	4,447,579
Due from Capital Fund	328,568	---	328,568	956,855
Inventories	387,880	---	387,880	337,038
Prepaids	182,176	---	182,176	169,813
	8,740,958	3,069,974	11,810,932	9,408,754
Other receivables (Note 5)	4,051,555	---	4,051,555	3,857,025
Capital assets (Note 6)	---	13,949,444	13,949,444	16,431,772
	$ 12,792,513	$ 17,019,418	$ 29,811,931	$ 29,697,551

LIABILITIES

	Operating Fund	Capital Fund	Total 2005	Total 2004
Current				
Payables and accruals (Note 7)	$ 6,736,983	$ 1,065,398	$ 7,802,381	$ 7,328,893
Due to Operating Fund	---	328,568	328,568	956,855
Deferred revenue	3,345,047	1,693,154	5,038,201	3,073,416
Current portion of obligation under capital lease	---	---	---	19,048
	10,082,030	3,087,120	13,169,150	11,378,212
Retirement allowances (Note 8)	2,859,386	---	2,859,386	2,664,856
	12,941,416	3,087,120	16,028,536	14,043,068

FUND BALANCES (Page 127)

	Operating Fund	Capital Fund	Total 2005	Total 2004
Restricted	---	---	---	19,048
Unrestricted deficit	(148,903)	---	(148,903)	(763,069)
Unrestricted - investment in capital assets	---	13,932,298	13,932,298	16,398,504
	(148,903)	13,932,298	13,783,395	15,654,483
	$ 12,792,513	$ 17,019,418	$ 29,811,931	$ 29,697,551

Commitments (Note 11)

See accompanying notes to the financial statements

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Operations - Operating Fund
Year Ended March 31, 2005

	2005	2004
Revenues		
Nova Scotia Department of Health	$ 47,042,278	$ 41,610,988
Charges to M.S.I.	3,247,901	3,281,996
Department of Veterans Affairs	441,631	467,147
In-patients	799,804	896,858
Out-patients	323,510	324,354
Rental income	270,148	272,175
Addiction services	69,167	74,415
Operating room services	86,180	69,280
Canadian Breast Cancer Foundation	---	87,902
Investment income	59,390	78,334
Food services	136,956	140,385
Laboratory	87,687	69,991
Other income	66,220	40,872
	52,630,872	47,414,697
Expenses		
In-patient services	18,415,750	16,750,909
Ambulatory services	10,956,465	10,242,150
Diagnostic and therapeutic services	8,156,352	7,507,782
Support services	11,742,942	9,279,728
Community health board initiatives	67,199	56,562
Community services	2,428,106	2,987,956
Rental expenses	184,963	164,887
Education and library	91,971	87,704
Increase in vacation pay accrual	141,428	91,108
Retirement allowance benefits	594,530	1,008,980
	52,779,706	48,177,766
Excess of expenses over revenues	$ (148,834)	$ (763,069)

See accompanying notes to the financial statements

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2005

	Operating Fund	Capital Fund	Total 2005	Total 2004
Restricted				
Balance, beginning of year. . . . . $	--- $	19,048 $	19,048 $	49,829
Transfer to unrestricted.	---	(19,048)	(19,048)	(30,781)
Balance, end of year . . . . $	--- $	--- $	--- $	19,048
Unrestricted				
Balance, beginning of year. . . . . $	(763,069) $	16,398,504 $	15,635,435 $	15,726,703
Transfer from restricted.	---	19,048	19,048	30,781
Nova Scotia Department of Health (Note 2)	763,000	---	763,000	---
Excess of (expenses over revenues) revenues over expenses	(148,834)	920	(147,914)	(761,102)
Capital asset funding				
Department of Health.	---	676,579	676,579	1,413,192
Department of Health - Federally funded medical equipment.	---	425,596	425,596	500,000
Foundations.	---	629,337	629,337	509,087
Auxiliaries.	---	117,413	117,413	128,881
Amortization.	---	(4,334,620)	(4,334,620)	(1,909,414)
Capital debt charges.	---	(479)	(479)	(2,693)
Balance, end of year. . . . . $	(148,903) $	13,932,298 $	13,783,395 $	15,635,435

See accompanying notes to the financial statements

COLCHESTER EAST HANTS HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2005

		2005		2004
Increase (decrease) in cash and cash equivalents				
Operations				
Excess of expenses over revenues - Operating Fund	$	(148,834)	$	(763,069)
Excess of revenues over expenses - Capital Fund		920		1,967
		(147,914)		(761,102)
Change in non-cash working capital				
Receivables		(2,958,084)		(1,218,124)
Inventories		(50,842)		(46,386)
Prepaids		(12,363)		(3,667)
Payables and accruals		473,488		1,701,656
Deferred revenue		1,964,785		1,026,123
		(730,930)		698,500
Financing and investing				
Nova Scotia Department of Health		763,000		---
Capital asset funding		1,848,925		2,551,160
Capital debt charges		(479)		(2,693)
Purchase of capital assets		(1,852,292)		(2,528,023)
Repayment of capital lease		(19,048)		(30,781)
		740,106		(10,337)
Net increase in cash and cash equivalents		9,176		688,163
Cash and cash equivalents, beginning of year		3,497,469		2,809,306
Cash and cash equivalents, end of year	$	3,506,645	$	3,497,469

See accompanying notes to the financial statements

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

Colchester East Hants Health Authority was formed by the Health Authorities Act of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

Colchester East Hants Health Authority operates several health care facilities and programs including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions and related services.

The Colchester East Hants Health Authority is a registered charity under the Income Tax Act of Canada and therefore, is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the health authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those reported.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the health authority's capital assets.

Revenue recognition
Colchester East Hants Health Authority follows the deferral method of accounting for contributions.

i) Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.
ii) Unresrticted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.
iii) Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

During the year, the Department of Health provided an amount to fund expenses of the 2003-2004 fiscal year. This amount has been credited directly to the unrestricted operating fund balance.

Inventories
Inventories are recorded at the lower of average cost or replacement value.

Capital assets
Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings and land improvements - Colchester Regional Hospital	6 years
Buildings - Lillian Fraser Memorial Hospital	50 years
Land improvements - Lillian Fraser Memorial Hospital	20 years
Equipment	5- 20 years
Equipment under capital lease	5- 20 years

Amortization on construction in progress is not recorded until the projects are completed.

During the year, the health authority changed its estimate of the remaining useful life of the Colchester Regional Hospital building and land improvements to 6 years. As a result, the amortization period changed from 50 years to 6 years. This change has been applied prospectively and the impact on current year's amortization is an increase of $2,542,146.

Compensation accruals
Colchester East Hants Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime, call back and statutory holiday.

Retirement allowances
The health authority accrues its retirement allowance obligations and the related costs, net of plan assets. The cost of retirement benefits (allowances) earned by employees is actuarialy determined using the projected benefit method prorated on service.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks.

Financial instruments
The health authority's financial instruments consist of cash, investments, receivables, payable and accruals, and deferred revenue. Unless otherwise noted, it is management's opinion that the health authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximate their fair value unless otherwise noted.

3. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $62,132 (2004 - $38,313) held in trust on behalf of employees' deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

4. Receivables

	Operating Fund	Capital Fund	Total 2005	Total 2004
Charges to M.S.I..	$ 145,726	$ ---	$ 145,726	$ 183,366
Foundations and auxilaries.	81,194	435,695	516,889	592,583
Harmonized sales tax.	314,267	111,936	426,203	515,179
Patients	351,986	---	351,986	278,724
Veterans Affairs Canada - final settlement	6,492	---	6,492	52,624
Other District Health Authorities.	472,594	---	472,594	62,722
Other.	281,665	82,556	364,221	183,562
	1,653,924	630,187	2,284,111	1,868,760
Nova Scotia Department of Health				
Construction and equipment.	---	2,439,787	2,439,787	1,734,730
Contracts, NShiS and other.	2,681,765	---	2,681,765	844,089
	2,681,765	2,439,787	5,121,552	2,578,819
	$ 4,335,689	$ 3,069,974	$ 7,405,663	$ 4,447,579

The resolution of the final V.A.C. settlement estimate is dependent upon approval of Veterans Affairs Canada. An adjustment, if any, on the resolution of this amount will be accounted for as an adjustment to fund balances in the period in which they occur.

Included in the receivable from the foundation is an amount of $168,396 which was not approved by the foundation until May 10, 2005.

5. Other receivables

	Operating Fund	Total 2005	Total 2004
Nova Scotia Department of Health			
Vacation pay.	$ 1,192,169	$ 1,192,169	$ 1,192,169
Retirement allowances.	2,859,386	2,859,386	2,664,856
	$ 4,051,555	$ 4,051,555	$ 3,857,025

6. Capital Assets

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Land	$ 155,349	$ ---	$ 155,349	$ 155,349
Land improvements	554,513	366,599	187,914	212,897
Buildings	17,910,038	9,002,939	8,907,099	11,055,578
Equipment	9,592,961	5,223,517	4,369,444	4,681,583
Equipment under capital lease.	753,378	715,376	38,002	113,337
Construction in progress				
New hospital	217,434	---	217,434	194,216
Other.	74,202	---	74,202	18,812
	$ 29,257,875	$ 15,308,431	$ 13,949,444	$ 16,431,772

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2005	Total 2004
Trade	$ 4,836,153	$ 1,065,398	$ 5,901,551	$ 5,569,491
Vacation pay	1,900,830	---	1,900,830	1,759,402
	$ 6,736,983	$ 1,065,398	$ 7,802,381	$ 7,328,893

8. Retirement allowances

The health authority operates a retirement allowance plan providing benefits for employees upon retirement. The most recent actuarial valuation was for the year ended December 31, 2003. Actuarial liabilities as at March 31, 2005 were extrapolated from the results of the December 31, 2003 actuarial valuation.

Information about the health authority's retirement benefit plan is as follows:

	2005	2004
Expense	$ 594,530	$ 1,008,980
Benefits paid	(400,000)	$ (250,000)
Accrued benefit liability recognized	2,859,386	$ 2,664,856
Funding status - plan deficit	(3,232,600)	$ (3,131,300)
Unamortized net actuarial loss	373,214	466,444
	$ (2,859,386)	$ (2,664,856)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2005.

Discount rate	6.05%
Rate of compensation increase	3.40% - 5.90%
Termination rates	1.20% - 20.0%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

All accumulated liabilities of the retiring allowance program of the Colchester East Hants Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2005.

9. Pension Plans

The health authority contributes to the following pension plans on behalf of its employees:

i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2003 which indicated a funding surplus.

ii) the second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At this time, there was an unfunded liability. The Colchester East Hants Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The health authority's pension expense for the year amounted to $1,679,284 (2004 - $1,487,769).

10. Credit facilities

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2005.

11. Commitments

Colchester East Hants Health Authority is committed to the following operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2006	$	439,626
2007	$	392,538
2008	$	298,853
2009	$	279,262
2010	$	254,315

During 2005, Colchester East Hants Health Authority has entered into agreements to spend $1,173,344 on additions to property.

12. Related entities

The health authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2005 are available from the individual financial statements of the related entities.

13. Comparative figures

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton

Grant Thornton

RAPPORT DES VÉRIFICATEURS

Au président et aux membres du
Conseil scolaire acadien provincial

Nous avons vérifié les états de la situation financière du **Conseil scolaire acadien provincial** en date du **31 mars 2005** et les états des résultats et déficit accumulés , des flux de l'endettement net et des flux de trésorerie de l'exercice terminé à cette date. Ces états financiers sont la responsabilité de l'administration du Conseil scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

À l'exception de ce qui est mentionné dans le paragraphe ci-dessous, notre vérification a été effectuée conformément aux normes de vérification généralement reconnues au Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

La Province de la Nouvelle- Écosse a mis en application un nouveau manuel de comptabilité au 30 mars 2005 qui exige que l'activité générée par les écoles, incluant la situation financière, les revenus et les dépenses, soient présentés comme partie des états financiers des conseils scolaires. Le Conseil scolaire acadien provincial n'a pas comptabilisé ces fonds, et ne pouvait pas nous fournir l'information financière à cet égard, sauf ce qui est présenté en note 3. Conséquemment, nous n'étions pas capable de vérifier aucun des fonds générés par les écoles.

À notre avis, à l'exception de l'effet des éventuels redressements que nous aurions pu juger nécessaires si nous avions été en mesure de vérifier si les activités générées par les écoles mentionnées au paragraphe précédent avaient toutes été comptabilisées, ces états financiers présentent fidèlement, à tous égards importants, la situation financière du **Conseil scolaire acadien provincial** au 31 mars 2005, ainsi que les résultats de ses activités et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus selon le secteur publique.

Yarmouth, Nouvelle-Écosse — Grant Thornton LLP
le 26 mai 2005 — Comptables agréés

Conseil scolaire acadien provincial
État de la situation financière

Au 31 mars	2005	2004
Actifs financiers		
Encaisse	**459 449 $**	80 925 $
Sommes à recevoir		
Province de la Nouvelle-Écosse	**3 867 025**	2 874 535
Gouvernement du Canada	**994 558**	815 785
Autres	**436 915**	317 409
	5 757 947 $	4 088 654 $
Passifs financiers		
Sommes à payer - fournisseurs	**1 789 279 $**	1 931 574 $
Sommes à payer - paliers gouvernementaux		
Province de la Nouvelle-Écosse	**668 616**	109 073
Gouvernement du Canada	**679 506**	318 195
Municipalités	**97 940**	7 757
Autres	**26 915**	-
Avantages postérieurs à l'emploi (Note 2)	**771 242**	-
Revenus reportés	**56 401**	20 135
Province de la Nouvelle-Écosse - régime de retraite	**2 214 912**	2 143 762
	6 304 811	4 530 496
Endettement net	**(546 864)**	(441 842)
Actifs non financiers		
Frais payés d'avance	**31 722**	19 608
Déficit accumulé	**(515 142) $**	**(422 234)** $

Ratifié au nom du Conseil scolaire

______________________ président ______________________ membre du Conseil

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial
État des résultats

Exercice clos le 31 mars	2005		2004
	Budget	**Actuel**	Actuel
Revenus			
Province de la Nouvelle-Écosse	**30 641 900 $**	**32 117 546 $**	29 747 249 $
Gouvernement du Canada	**984 479**	**1 124 605**	1 259 018
Allocations des conseils municipaux	**-**	**400**	5 000
Autres revenus	**425 000**	**462 417**	225 031
Projet – élaboration de programmes	**697 019**	**591 959**	158 863
	32 748 398	**34 296 927**	31 395 161
Dépenses			
Gouvernance du conseil scolaire	**406 884**	**441 124**	368 750
Administration du conseil scolaire	**1 608 257**	**1 623 319**	1 524 208
Administration scolaire et soutien	**2 609 239**	**2 649 799**	2 540 148
Instruction et services scolaires	**17 025 531**	**17 489 104**	16 574 699
Services aux élèves	**2 894 173**	**3 076 871**	2 818 721
Service d'entretien	**3 849 883**	**4 695 911**	4 405 129
Transport scolaire	**3 420 257**	**3 701 824**	2 959 906
Autres programmes	**96 410**	**119 924**	104 536
Projet – élaboration de programmes	**697 019**	**591 959**	158 863
	32 607 653	**34 389 835**	31 454 960
Surplus (déficit) annuel	**140 745**	**(92 908)**	(59 799)
Déficit accumulé, au début de l'exercice		**(422 234)**	(362 435)
Déficit accumulé, à la fin de l'exercice		**(515 142) $**	(422 234) $

État des flux de l'endettement net

	2005	2004
Endettement net, au début de l'exercice précédent	**(441 842) $**	28 705 119 $
Redressement affecté aux exercices antérieurs, Radiation des actifs capitaux (Note 1)	**-**	(29 067 554)
Redressement affecté aux exercices antérieurs, frais payés d'avance	**-**	(187 930)
Endettement net, au début de l'exercice, redressé	**(441 842)**	(550 365)
Excédent des dépenses sur les revenus	**(92 908)**	(59 799)
	(534 750)	(610 164)
(Augmentation) diminution des frais, payés d'avance	**(12 114)**	168 322
Endettement net, à la fin de l'exercice	**(546 864) $**	(441 842) $

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial
États des flux de trésorerie

Exercice clos le 31 mars	**2005**		2004	
Transactions opérationnelles				
Déficit annuel	**(92 908)**	**$**	(59 799)	$
Baisse (augmentation) sommes à recevoir	**(1 290 765)**		715 131	
Baisse (augmentation) dépenses payées d'avance	**(14 115)**		168 322	
(Baisse) augmentation sommes à payer	**1 740 049**		(550 784)	
(Baisse) augmentation revenus reportés	**36 267**		(64 714)	
	378 528		208 156	
Augmentation de trésorerie	**378 528**		208 156	
Encaisse, au début de l'exercice	**80 925**		(127 231)	
Encaisse, à la fin de l'exercice	**459 453**	$	80 925	$

Voir les notes explicatives qui accompagnent ces états financiers.

Conseil scolaire acadien provincial
Annexe A - Détails supplémentaires - revenus

Exercice clos le 31 mars 2005	2005		2004
	Budget	**Actuel**	**Actuel**
Revenus			
Province de la Nouvelle-Écosse			
Fonctionnement	**27 813 900 $**	**28 875 591 $**	26 545 635 $
Affectés	**1 739 300**	**1 739 297**	1 608 300
Capital	**-**	**59 009**	521 414
Maintien	**663 700**	**663 700**	639 100
Autres	**425 000**	**779 949**	432 800
	30 641 900 $	**32 117 546 $**	29 747 249 $
Gouvernement du Canada			
Paiements formulaires	**148 790 $**	**187 501 $**	148 790
Projets spéciaux, mesures spéciales, autres	**835 689**	**937 104**	1 110 228
	984 479 $	**1 124 605 $**	1 259 018 $
Allocations des conseils municipaux			
Supplémentaires	**0 $**	**400 $**	5 000 $
Autres revenus			
Générés par le Conseil	**100 000 $**	**69 206 $**	98 915 $
Intérêts	**30 000**	**21 617**	26 103
Remboursement – non gouvernemental	**295 000**	**321 962**	66 717
Vente de véhicules/matériel	**-**	**11 196**	3 328
Dons	**-**	**6 927**	935
Octroi – non gouvernemental	**-**	**31 509**	6 463
Autres services gouvernementaux	**-**	**-**	22 570
	425 000 $	**462 417 $**	225 031 $
Projet – Élaboration – programmes	**697 019 $**	**591 959 $**	158 863 $
	32 748 398 $	**34 296 927 $**	31 395 161 $

Conseil scolaire acadien provincial
Annexe B - Détails supplémentaires - dépenses

Exercice clos le 31 mars 2005	2005				2004	
	Budget		**Actuel**		Actuel	
Dépenses						
Gouvernance du Conseil scolaire						
Membres du Conseil	**317 960**	**$**	**338 511**	**$**	307 505	$
Secrétariat du Conseil	**48 625**		**50 639**		47 812	
NSSBA et autres	**40 299**		**51 974**		13 433	
	406 884	**$**	**441 124**	**$**	368 750	$
Administration du Conseil scolaire						
Administration	**918 312**	**$**	**902 405**	**$**	873 080	$
Service des finances	**292 406**		**307 870**		284 193	
Service de ressources humaines	**214 467**		**222 720**		208 443	
Communications	**90 401**		**82 725**		68 424	
Informatique	**92 671**		**107 599**		90 068	
	1 608 257	**$**	**1 623 319**	**$**	1 524 208	$
Administration scolaire et soutien						
Administration	**2 272 730**	**$**	**2 278 007**	**$**	2 212 549	$
Programmation et curriculum	**247 715**		**271 177**		241 156	
Informatique	**88 794**		**100 615**		86 443	
	2 609 239	**$**	**2 649 799**	**$**	2 540 148	$
Instruction et services scolaires						
Instruction	**16 200 525**		**16 481 676**		15 771 539	$
Service d'orientation	**243 006**		**340 948**		236 571	
Bibliothèques	**222 467**		**239 306**		216 576	
Technologie	**359 533**		**427 174**		350 013	
	17 025 531	**$**	**17 489 104**	**$**	16 574 699	$
Services aux élèves						
Administration	**93 009**		**106 673**		90 546	
Instruction	**1 240 126**		**1 377 885**		1 207 288	
Programmation et curriculum	**1 561 038**		**1 592 313**		1 520 887	
	2 894 173	**$**	**3 076 871**	**$**	2 818 721	$
Service d'entretien						
Administration	**237 762**		**267 350**		233 100	
Conciergerie	**1 321 211**		**1 383 325**		1 308 130	
Entretien	**2 089 079**		**2 903 595**		2 664 066	
Terrains	**201 831**		**141 641**		199 833	
	3 849 883	**$**	**4 695 911**	**$**	4 405 129	$
Transport scolaire						
Administration	**78 748**		**61 052**		77 204	
Transport (conseil)	**985 076**		**1 048 880**		968 610	
Entretien (conseil)	**325 100**		**323 512**		319 666	
Transport (sous - traitance)	**2 029 221**		**2 266 158**		1 592 335	
Entretien des arrêts d'autobus	**2 112**		**2 222**		2 091	
	3 420 257	**$**	**3 701 824**	**$**	2 959 906	$

1. Conventions comptables

Ces états financiers sont préparés selon les principes de comptabilité généralement acceptés au Canada pour le secteur public qui, pour fins des états financiers du Conseil scolaire, sont représentés par les recommandations du Conseil de comptabilité du secteur public (CCSP) de l'Institut canadien des comptables agréés (ICCA), augmentés où il est approprié par d'autres normes ou déclarations de comptabilité.

Ces états financiers ont été préparés en utilisant les conventions comptables significatives qui suivent:

Conventions comptables significatives

Revenus
Les revenus sont inscrits en utilisant la méthode de la comptabilité d'exercice. Les principales parties du revenu sont le financement de la province de Nouvelle-Écosse et du Gouvernement du Canada.

Dépenses
Les dépenses sont inscrites en utilisant la méthode de la comptabilité d'exercice et comprennent les coûts des inventaires d'approvisionnements achetés durant l'année. Des provisions sont prévues pour des pertes probables sur certains comptes à recevoir et responsabilités conditionnelles lorsqu'il est possible qu'une responsabilité existe et que le montant peut être déterminé de façon raisonnable. Ces provisions sont mises à jour lorsque les estimés sont révisés et/ou au moins annuellement.

Actifs financiers
Encaisse et les quasi-espèces sont inscrits au coût qui rapproche la valeur approximative du marché.

Les comptes à recevoir sont inscrits au montant principal moins les provisions pour moins-valeur.

Passifs
Les enseignants participent à un plan de pension établi par la Province de la Nouvelle-Écosse en vertu de la Teacher's Pension Act. Les autres employés participent à un plan de pension établi et géré par la *Nova Scotia School Board Association.*

Endettement net
L'endettement net représente l'excédent des passifs du Conseil sur les actifs financiers.

Surplus/Déficit accumulé
Le surplus/déficit accumulé représente les passifs du Conseil scolaire moins les actifs financiers et les actifs non-financiers. Cela représente la balance accumulée du surplus/déficit accumulé découlant des opérations du Conseil.

Conseil Scolaire Acadien Provincial
Notes relatives aux états financiers
Exercice clos le 31 mars 2005

1. Conventions comptables

Actifs non-financiers
Les actifs corporels ont une vie utile qui s'étend plus loin que la période de comptabilité, sont maintenus pour l'approvisionnement de biens et services et ne sont pas vendus dans les opérations ordinaires du Conseil. Les actifs corporels sont inscrits au coût historique net (ou au coût estimé lorsque les coûts actuels ne sont pas connus) et comprennent tous les coûts attribuables directement aux acquisitions, constructions, développements et installations des actifs corporels, moins l'intérêt. Les actifs corporels comprennent les terrains, les édifices, l'équipement informatique et logiciels et les véhicules. Les actifs corporels ne comprennent pas les objets intangibles ou les actifs acquis par titres, comme des forêts, eaux et ressources minérales ou des travaux d'art et des trésors historiques. Il est à noter que seules les immobilisations financées par le Conseil qui rencontrent les seuils ci-dessous sont comptabilisées comme des additions et en date du 31 mars 2005 le Conseil n'a aucun actif corporel qui qualifie:

Édifices	250 000$
Améliorations locatives	150 000$
Ordinateurs	25 000$
Automobiles	15 000$
Équipement	50 000$
Logiciels	250 000$

Les frais payés d'avance sont les déboursements comptants pour les biens ou services, sauf les actifs capitaux tangibles et les inventaires d'approvisionnements, dont tout ou une partie fournira des bénéfices économiques dans une ou plusieurs périodes futures. Le montant payé d'avance est reconnu comme une dépense durant l'année que les biens ou services sont utilisés ou épuisés.

2. Modification des conventions comptables

Une modification des conventions comptables (un total de 771 242$) a été effectuée à la fin de l'année fiscale afin d'être conforme avec les nouvelles directives provenant du Ministère de l'éducation. Puisque ce montant a été financé par la Province de la Nouvelle-Écosse cette modification n'a aucunement influencée le déficit.

3. Fonds générés par les écoles

En date du 31 mars 2005 les écoles du Conseil avaient en caisse un montant de 757 238$ généré par les écoles pour, entre autres, les activités du Conseil des étudiants, les activités sportives, les activités de la cafétéria, les activités de la cantine et les voyages de fin d'année. Ce montant n'a pas été assujetti à une vérification, comme il est décrit dans le rapport des vérificateurs.

4. Chiffres comparatifs

Certains chiffres dans la colonne comparative 2004 ont été reclassés afin de faciliter la présentation pour l'année courante.

AUDITOR'S REPORT

To the Board of Directors of
Cumberland Health Authority

I have audited the statement of financial position of Cumberland Health Authority as at March 31, 2005 and the statements of operations - operating fund, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Cumberland Health Authority as at March 31, 2005 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

S. J. McIsaac
Chartered Accountant

Amherst, Nova Scotia
June 21, 2005

CUMBERLAND HEALTH AUTHORITY

Statement of Financial Position
March 31, 2005

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	2005 Total	2004 Total
Current					
Cash and cash equivalents . . . . . . $	--- $	18,917 $	59,350 $	78,267 $	2,615,744
Receivables (Note 4)	3,550,343	1,092,885	---	4,643,228	2,999,998
Due from Capital Fund	1,108,034	---	---	1,108,034	16,660
Due from Operating Fund	---	---	26,462	26,462	---
Inventories	259,872	---	---	259,872	256,682
Prepaids	216,851	---	---	216,851	213,883
	5,135,100	1,111,802	85,812	6,332,714	6,102,967
Other Receivables (Note 5)	3,838,881	---	---	3,838,881	3,389,509
Deferred Charges.	146,372	---	---	146,372	238,818
Land, buildings and equipment (Note 6)	---	60,518,352	---	60,518,352	61,780,027
$	9,120,353 $	61,630,154 $	85,812 $	70,836,319 $	71,511,321

CUMBERLAND HEALTH AUTHORITY

Statement of Financial Position (continued)
March 31, 2005

LIABILITIES

	Operating Fund	Capital Fund	Endowment Fund	2005 Total	2004 Total
Current					
Bank Overdraft	$ 638,898	$ ---	$ ---	$ 638,898	$ ---
Payables and accruals (Note 7) .	4,488,600	85,217	---	4,573,817	4,728,646
Due to Capital Fund.	---	---	---	---	---
Due to Operating Fund.	26,462	1,108,034	---	1,134,496	16,660
Deferred revenue. . .	2,268,348	1,479,213	---	3,747,561	3,582,952
Current portion of advance from province (Note 10).	---	240,840	---	240,840	160,560
Current portion of obligation under capital lease	---	---	---	---	2,390
	7,422,308	2,913,304	---	10,335,612	8,491,208
Long term debt					
Employee future benefits (Note 8) . .	2,824,660	---	---	2,824,660	2,526,638
Advance from province (Note 10)	---	160,560	---	160,560	240,840
	10,246,968	3,073,864	---	13,320,832	11,258,686

FUND BALANCES (Page 146)

	Operating Fund	Capital Fund	Endowment Fund	2005 Total	2004 Total
Restricted (Note 11)	---	---	85,812	85,812	60,652
Unrestricted	(1,126,615)	58,556,290	---	57,429,675	60,191,983
	(1,126,615)	58,556,290	85,812	57,515,487	60,252,635
	$ 9,120,353	$ 61,630,154	$ 85,812	$ 70,836,319	$ 71,511,321

Commitments (Note 13)

See accompanying notes to the financial statements

CUMBERLAND HEALTH AUTHORITY

Statement of Operations - Operating fund
Year Ended March 31, 2005

		2005		2004
Revenues				
Nova Scotia Department of Health	$	36,645,888	$	33,566,303
Charges to M.S.I.		1,611,592		1,646,170
In-patients		187,406		318,373
Out-patients		1,005,823		826,353
Long-term care		1,252,816		1,236,167
Cafeteria income		131,785		123,729
Investment income		14,288		54,460
Mental Health joint projects		10,328		10,649
Other income		80,454		110,955
		40,940,380		37,893,159
Expenses				
In-patient services		12,997,053		12,018,362
Ambulatory services		6,998,940		6,550,837
Diagnostic and therapeutic services		6,046,378		5,475,707
Support services		12,654,300		10,782,039
Community Services		2,665,572		2,343,260
Increase in vacation pay accrual		283,840		84,914
Employee future benefits		362,622		696,330
		42,008,705		37,951,449
Excess of expenses over revenues	$	(1,068,325)	$	(58,290)

See accompanying notes to the financial statements

CUMBERLAND HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2005

	Operating Fund	Capital Fund	Endowment Fund	2005 Total	2004 Total
Restricted					
Balance, beginning of period . . . . $	--- $	2,390 $	58,262 $	60,652 $	63,141
Transfer to unrestricted	---	(2,390)	---	(2,390)	(3,862)
Excess of revenues over expenses. . . .	---	---	27,550	27,550	1,373
Balance, end of period. . . . . $	--- $	--- $	85,812 $	85,812 $	60,652
Unrestricted					
Balance, beginning of period . . . . $	(58,290) $	60,250,273 $	--- $	60,191,983 $	60,584,436
Transfer from unrestricted	---	2,390	---	2,390	3,862
Capital asset funding					
Department of Health	---	594,101	---	594,101	1,896,966
Foundations.	---	251,703	---	251,703	472,278
Auxiliaries.	---	100,000	---	100,000	37,141
Parking.	---	145,752	---	145,752	122,699
Other.	---	247,580	---	247,580	141,692
Amortization.	---	(3,035,509)	---	(3,035,509)	(3,008,463)
Capital debt charges.	---	---	---	---	(338)
Excess of expenses over revenues	(1,068,325)	---	---	(1,068,325)	(58,290)
Balance, end of period. . . . . $	(1,126,615) $	58,556,290 $	--- $	57,429,675 $	60,191,983

See accompanying notes to the financial statements

CUMBERLAND HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Operating Fund	$ (1,068,325)	$ (58,290)
Excess of revenues over expenses - Special Funds	27,550	1,373
	(1,040,775)	(56,917)
Change in non-cash working capital		
Receivables	(2,092,602)	(838,228)
Inventories	(3,190)	7,454
Prepaid expenses	(2,968)	(140,143)
Deferred charges	92,446	(238,818)
Payables and accruals	143,193	1,050,469
Deferred revenue	164,609	(915,937)
	(2,739,287)	(1,132,120)
Financing and investing		
Capital asset funding	1,339,135	2,670,775
Interfund transfer - capital asset funding	2,390	3,862
Purchase of capital assets	(1,773,834)	(3,117,266)
Repayment of long term debt	(2,390)	(3,862)
Long term debt	---	---
Capital debt charges	---	(338)
	(434,699)	(446,829)
Decrease in restricted funds	(2,390)	(3,862)
	(437,089)	(450,691)
Net decrease in cash and cash equivalents	(3,176,376)	(1,582,811)
Cash and cash equivalents, beginning of period	2,615,744	4,198,555
Cash and cash equivalents (deficiency), end of period	$ (560,632)	$ 2,615,744

See accompanying notes to the financial statements

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Cumberland Regional Health Care Centre, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services including Mental Health, Public Health and Addiction Services.

2. Health Authorities Act

Cumberland Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and other health care services referred to above.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Authority's capital assets. Endowment contributions are reported in the Endowment Fund, and included with Special Funds.

Revenue recognition
Cumberland Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories
Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific indentification for pharmaceuticals.

Deferred Charges
The cost of obtaining a maintenance contract for equipment is deferred and amortized on a straight-line basis over the four year life of the contract. Amortization of deferred charges expensed for the year ended March 31, 2005 amounted to $92,446 (2004 - $31,507).

Land, buildings and equipment

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is charged to the capital fund balance and is provided on a straight line basis at the following rates:

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

The Cumberland Health Authority follows the method of accounting for employee future benefits reqiured by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The Province of Nova Scotia is funding the liability and additional expenses incurred by the Authority in association with adoption of Section 3461. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for future benefits of $2,824,660 (2004 - $2,526,638) (Note 8) has been included in the financial statements in the current year. The Province of Nova Scotia has assumed the liability so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is $362,622 (2004 - $696,330) (Note 8).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and various funds held in trust.

Financial instruments

The Health Authority's financial instruments consist of cash, investments, receivables, payables and accruals and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximates their fair value unless otherwise noted.

4. Receivables

	Operating Fund	Capital Fund	2005 Total	2004 Total
Charges to M.S.I. $	24,697 $	--- $	24,697 $	60,806
Foundations and Auxiliaries	---	55,029	55,029	79,816
Harmonized sales tax	402,899	59,833	462,732	311,403
Patients	748,598	---	748,598	526,930
Other	148,457	149,233	297,690	251,377
	1,324,651	264,095	1,588,746	1,230,332
Nova Scotia Department of Health				
Construction and equipment	---	828,790	828,790	728,542
Final settlement and other	2,225,692	---	2,225,692	1,041,124
	2,225,692	828,790	3,054,482	1,769,666
$	3,550,343 $	1,092,885 $	4,643,228 $	2,999,998

The resolution of final settlement estimates is dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables

	Operating Fund	2005 Total	2004 Total
Nova Scotia Department of Health			
Vacation pay $	819,314 $	819,314 $	819,314
Employee future benefits	3,005,567	3,005,567	2,542,195
Other	14,000	14,000	28,000
$	3,838,881 $	3,838,881 $	3,389,509

6. Land, buildings and equipment

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Land $	353,784 $	--- $	353,784 $	353,260
Land improvements	1,280,921	220,944	1,059,977	1,104,318
Buildings	58,673,517	5,961,470	52,712,047	53,783,529
Equipment	12,429,505	6,224,093	6,205,412	6,489,098
Equipment under capital lease	22,127	12,510	9,617	11,194
Construction in progress	177,515	---	177,515	38,628
$	72,937,369 $	12,419,017 $	60,518,352 $	61,780,027

7. Payables and accruals

		Operating Fund	Capital Fund	2005 Total	2004 Total
Trade	$	2,703,093 $	85,217 $	2,788,310 $	3,226,979
Vacation pay		1,785,507	---	1,785,507	1,501,667
	$	4,488,600 $	85,217 $	4,573,817 $	4,728,646

8. Employee future benefits

The Cumberland Health Authority has provided for retirement allowances as follows:

		2005	2004
Accrued benefit liability			
Beginning balance, retiring allowance	$	2,526,638 $	1,947,208
Current service cost for the year		180,300	168,600
Plan amendment		81,700	397,700
Amortization of experience gain		(33,378)	9,030
Interest cost during the year		134,000	121,000
Estimated fiscal payments for employees		(64,600)	(116,900)
Ending balance, retiring allowances	$	2,824,660 $	2,526,638

During the period, retiring allowances actually paid amount to $165,350 (2004-$34,435).

Employee future benefits expense			
Current service costs	$	180,300 $	168,600
Interest on accrued benefits		134,000	121,000
Plan amendment		81,700	397,700
Amortization of experience gain		(33,378)	9,030
	$	362,622 $	696,330

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

Discount rate	6.05%	6.17%
Average age of employees	44.5	44.5
Expected average remaining service life	12.0	12.0
Average years of service	10.3	10.3
Rate of compensation increase	3.40%	3.65%

9. Pension fund

The Cumberland Health Authority participates in a multi-employer defined benefit plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed a funding excess for the entire plan of over $107 million. An extrapolation to December 31, 2003 was preformed, which indicated a funding surplus of $104.7 million.

Information to follow the recommendations of the CICA Handbook on defined benefit plans is not available; therefore the plan is accounted for following the recommendations for defined contribution plans. The authority's pension expense for the year amounted to $1,319,430 (2004 - $1,124,183).

10. Advance from province

The advance from the Province of Nova Scotia is non-interest bearing and repayable in five equal annual instalments commencing in 2004. The 2004 or 2005 instalments have not been paid.

11. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of this obligation. The balance of the reserve was $0 (2004 - $2,390) as of March 31, 2005.

12. Credit facilities

The Authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling $1,000,000, bearing interest at the prime rate, $361,102 of which is unused at March 31, 2005.

13. Commitments

a) Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2006	$	530,300
2007		316,900
2008		206,350
2009		180,600
2010		121,738

b) Cumberland Health Authority has entered into agreements to spend $1,284,964 on additions to property and equipment at the Cumberland Regional Health Care Centre. This represents the balance between the Nova Scotia Provincial Government Orders in Council of $51,300,000 and the total expenditures to date of $50,693,761, less a donation from the Town of Amherst of $678,725 over and above the amount committed.

14. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2005 are available from the individual financial statements of the related entities.

15. Special Funds

	Endowment Fund	Bursary Fund	Total
Balance, beginning of year	$ 58,262	$ ---	$ 58,262
Contributions		50,500	50,500
Investment income	1,087		1,087
Bursaries and expenditures	---	(24,037)	(24,037)
	$ 59,349	$ 26,463	$ 85,812

Unaudited

ENVIRONMENTAL TRUST FUND

Balance Sheet
as at March 31, 2005

ASSETS

	2005	2004
Cash	$ 104	$ 1,299
Investments (Schedule 1)	6,468	5,138
	$ 6,572	$ 6,437

FUND EQUITY

	2005	2004
Fund equity	$ 6,572	$ 6,437

Statement of Income and Fund Equity
for the year ended March 31, 2005

	2005	2004
Revenues		
Interest	$ 135	$ 164
Expenses		
Bank charges	---	38
Net Income	135	126
Fund equity, beginning of year	6,437	6,311
Fund equity, end of year	$ 6,572	$ 6,437

Unaudited

ENVIRONMENTAL TRUST FUND

Notes to Financial Statements
March 31, 2005

1. Authority

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment and Labour and are not reflected in the financial statements.

Schedule 1

ENVIRONMENTAL TRUST FUND

Schedule of Investments
March 31, 2005

Investment	Interest Rate	Maturity Date		Cost
BNS Banker's Acceptance	2.54%	May 2, 2005	$	6,468

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Guysborough Antigonish Strait Health Authority

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
June 8, 2005

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Financial Position
March 31, 2005, with comparative figures for 2004

ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2005 Total	2004 Total
Current assets:					
Cash and marketable securities . . . . $	855,751 $	--- $	207,596 $	1,063,347 $	2,478,634
Accounts receivable (note 2)	5,840,214	337,141	---	6,177,355	5,561,466
Inventories (note 3)	586,193	---	---	586,193	577,603
Prepaid expenses.	295,704	---	---	295,704	365,967
	7,577,862	337,141	207,596	8,122,599	8,983,670
Capital assets (note 4)	---	28,612,295	---	28,612,295	29,504,477
Other receivable :					
Employee future benefits (note 7)	5,724,910	---	---	5,724,910	5,354,486
$	13,302,772 $	28,949,436 $	207,596 $	42,459,804 $	43,842,633

LIABILITIES, DEFERRED CONTRIBUTIONS and NET ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2005 Total	2004 Total
Current liabilities:					
Accounts payable and accrued liabilities (note 5) . . . . $	5,642,978 $	258,965 $	--- $	5,901,943 $	6,412,432
Deferred revenue.	2,612,829	---	---	2,612,829	2,355,207
Current portion of capital lease payable . . .	---	88,320	---	88,320	81,551
	8,255,807	347,285	---	8,603,092	8,849,190
Other liability:					
Employee future benefits (note 7).	5,724,910	---	---	5,724,910	5,354,486
Capital lease payable (note 8)	---	350,854	---	350,854	439,174
Deferred contributions related to capital assets (note 6).	---	27,669,445	---	27,669,445	28,413,432
Fund balances:					
Operating.	(677,945)	---	---	(677,945)	---
Investment in capital assets (note 9).	---	581,852	---	581,852	581,852
Internally restricted.	---	---	207,596	207,596	204,499
	(677,945)	581,852	207,596	111,503	786,351
$	13,302,772 $	28,949,436 $	207,596 $	42,459,804 $	43,842,633

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2005, with comparative figures for 2004

	Operating Fund	Capital Fund	Restricted Fund	2005 Total	2004 Total
Revenue:					
Department of Health and Community Services $	44,414,435 $	60,000 $	--- $	44,474,435 $	41,470,476
Department of Health:					
Contract settlements	1,973,815	---	---	1,973,815	252,470
Retirement allowance funding	411,524	---	---	411,524	989,916
Capital funding	---	843,930	---	843,930	815,737
N.S. Medical Services Insurances (MSI)	2,712,545	---	---	2,712,545	2,769,085
Patient income	1,695,684	---	---	1,695,684	1,604,913
Dietary recoveries	508,499	---	---	508,499	492,017
Foundations and auxiliaries	49,372	72,016	---	121,388	176,631
Rentals	49,668	---	---	49,668	71,516
Miscellaneous	156,091	10,028	---	166,119	146,526
Referred in revenue	381,654	---	---	381,654	234,907
Drug program rebates	55,712	---	---	55,712	24,706
Wage grants/ recoveries	176,096	---	---	176,096	189,329
Investment income	39,286	---	3,097	42,383	53,509
Amortization of deferred contributions (note 9)	---	1,758,132	---	1,758,132	2,057,389
Laundry recoveries	221,030	---	---	221,030	231,790
	52,845,411	2,744,106	3,097	55,592,614	51,580,917
Expenditures:					
Nursing services	20,685,100	---	---	20,685,100	18,663,131
Support services	10,113,698	---	---	10,113,698	8,823,817
Diagnostic and therapeutic	7,833,273	---	---	7,833,273	7,299,662
Administrative services	4,309,334	---	---	4,309,334	3,846,636
Medical services	1,452,318	---	---	1,452,318	1,188,405
Non-portable programs	7,119,464	---	---	7,119,464	6,115,246
Level III physician services	1,598,645	---	---	1,598,645	1,581,172
Retirement allowance	411,524	---	---	411,524	989,916
Amortization of capital assets (note 9)	---	1,818,132	---	1,818,132	2,117,389
Capital expenditures	---	925,974	---	925,974	951,360
	53,523,356	2,744,106	---	56,267,462	51,576,734
Excess of (expenditures over revenue) revenue over expenditures, for the year $	(677,945) $	--- $	3,097 $	(674,848) $	4,183

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Changes in Net Assets
Year ended March 31, 2005, with comparative figures for 2004

	Operating	Investment in capital assets	Internally restricted	2005 Total	2004 Total
Balance, beginning of year . . . . $	--- $	581,852 $	204,499 $	786,351 $	782,168
Excess of (expenditures over revenue) revenue over expenditures	(677,945)	---	3,097	(674,848)	4,183
Balance, end of year . . . . . $	(677,945) $	581,852 $	207,596 $	111,503 $	786,351

Statement of Cash Flows
Year ended March 31, 2005, with comparative figures for 2004

Cash provided by (used for):	2005	2004
Operations:		
Excess of (expenditures over revenue) revenue over expenditures . . . . $	(674,848) $	4,183
Items not involving cash:		
Amortization of capital assets.	1,818,132	2,117,389
Amortization of deferred contributions related to capital assets	(1,758,132)	(2,057,389)
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable.	(615,889)	401,070
Increase in inventories.	(8,590)	(89,298)
(Increase) decrease in prepaid expenses.	70,263	(28,281)
Decrease in accounts payable and accrued liabilities	(510,489)	(579,739)
Increase in deferred revenues	257,622	474,249
	(1,421,931)	242,184
Financing and investing activities:		
Additions to capital assets.	(925,950)	(2,246,027)
Additions to deferred contributions related to capital assets	1,014,145	1,636,719
Capital lease addition.	---	600,000
Capital lease repayments.	(81,551)	(79,275)
	6,644	(88,583)
(Decrease) increase in cash.	(1,415,287)	153,601
Cash, beginning of year	2,478,634	2,325,033
Cash, end of year. . . . . $	1,063,347 $	2,478,634

Supplemental cash flow information:		
Cash paid during the year for:		
Interest . . . . $	38,711 $	40,987
Interest received.	32,748	47,238

See accompanying notes to financial statements.

The Health Authority's principal activity is to operate and manage designated hospitals and other health related activities within the Eastern Region of Nova Scotia.

1. Significant accounting policies:

a) Revenue recognition:

The Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset.

Investment income (restricted and unrestricted) is recognized as revenue when earned.

b) Marketable securities:

Marketable securities are valued at the lower of cost or market value.

c) Inventories:

Inventories are valued at the lower of cost and replacement cost.

d) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

e) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

Asset	Rates
Building, paving and land improvements	2.5%, 4%, 8%
Major equipment	5%, 6.67%, 10%, 20%

f) Employee future benefits/Due from Department of Finance:

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one week's salary, to certain maximums, for every year of full-time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Actuarial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of $5,724,910 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. The current year's net expense incurred for employee future benefits is $411,524.

2. Accounts receivable:

	2005	2004
Patient services	$ 334,738	$ 337,280
Department of Health:		
Vacation liability	1,331,500	1,331,500
Nursing strategy	---	102,852
Special maintenance	379,491	254,760
Hospital Information System project	1,077,671	1,450,042
Contract settlement	1,019,947	252,469
Hospital in the home	218,300	208,800
On Call Physician Program	119,415	96,255
Anesthesia	236,067	148,098
Pathology	326,953	197,751
Other	76,625	66,601
Retirement allowance payouts	115,456	76,515
Nova Scotia Medical Insurance Services (M.S.I.)	93,258	47,397
Harmonized sales tax	257,310	282,235
Sundry	129,696	148,875
Due from capital fund	45,999	---
Hospital foundations - operating (note 11)	9,495	---
Cape Breton District Health Authority	68,293	---
	5,840,214	5,001,430
Capital fund:		
Department of Health - Capital items	337,141	514,471
Due from operating fund	---	45,565
	337,141	560,036
	$ 6,177,355	$ 5,561,466

3. Inventories:

	2005	2004
Drugs	$ 232,747	$ 295,399
Medical and surgical	99,615	94,749
Intravenous	5,507	5,916
Maintenance	29,022	22,121
Food	10,500	10,500
General	208,802	148,918
	$ 586,193	$ 577,603

4. Capital assets:

	Cost	Accumulated amortization	2005 Net Book Value	2004 Net Book Value
Land	$ 581,852	$ ---	$ 581,852	$ 581,852
Buildings and paving	42,132,563	18,736,531	23,396,032	24,477,135
Equipment	22,317,916	17,683,505	4,634,411	4,445,490
	$ 65,032,331	$ 36,420,036	$ 28,612,295	$ 29,504,477

5. Accounts payable and accrued liabilities:

	2005	2004
Accounts payable and accrued liabilities	$ 3,697,262	$ 2,850,569
Accrued payroll:		
Salaries	336,185	1,401,184
Vacation pay	1,420,609	1,560,889
Contract settlement	188,922	233,397
Cape Breton District Health Authority	---	286,795
Due to capital fund	---	45,565
	5,642,978	6,378,399
Capital fund:		
Accounts payable and accrued liabilities	212,966	34,033
Due to operating fund	45,999	---
	258,965	34,033
	$ 5,901,943	$ 6,412,432

6. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	2005	2004
Balance, beginning of year	$ 28,413,432	$ 28,834,102
Additional contributions received	1,014,145	1,636,719
Amounts amortized to revenue	(1,758,132)	(2,057,389)
Balance, end of year	$ 27,669,445	$ 28,413,432

The balance of unamortized capital contributions related to capital assets consists of the following:

	2005	2004
Unamortized capital contributions used to purchase assets	$ 27,550,443	$ 28,382,625
Unspent contributions	119,002	30,807
	$ 27,669,445	$ 28,413,432

7. Employee future benefits:

Retirement allowances paid to employees upon retirement are actuarially determined. The retirement allowance value is calculated by the Provincial Department of Finance for District Health Authorities. It is calculated using the projected benefit method prorated on services as required under section 3250 of the PSAB handbook. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds this liability, thus an offsetting Accounts Receivable is recorded on the books for the same amount.

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Guysborough Antigonish Strait Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2004. Actuarial liabilities as at March 31, 2005 were extrapolated from the results of the December 31, 2004 actuarial valuation.

Guysborough Antigonish Strait Health Authority has provided for retirement allowances as follows:

	2005	2004
Accrued benefit liability		
Balance, beginning of year	$ 5,354,486	$ 4,528,571
Current service cost for the year	227,900	217,000
Interest cost during the year	257,200	241,400
Plan amendment	35,300	545,000
Amortization of experience gain	(108,876)	(13,485)
Estimated fiscal payments for employees	(41,100)	(164,000)
Balance, end of year	$ 5,724,910	$ 5,354,486
Reconciliation to funding status		
Funding status - plan deficit	$ 4,601,600	$ 4,181,200
Unamortized net actuarial gain	1,123,310	1,173,286
	$ 5,724,910	$ 5,354,486
Employee future benefits expense		
Current service costs	$ 227,900	$ 217,000
Interest on accrued benefits	257,200	241,400
Plan amendment	35,300	545,000
Amortization of experience gain	(108,876)	(13,485)
	$ 411,524	$ 989,915

The significant actuarial assumptions adopted in measuring the Authority's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2005:

	Retirement allowance
Discount rate	6.05%
Retirement % at age 65	50.0%
Average age of employees	46.7
Average age of services	15.4
Future mortality rate	(GAM 94, projected to 2000)
Rate of compensation increase	3.40% - 5.90%

During the year, retirement benefits were amended to reflect revised plan provisions resulting in an addition to the liability of $35,300.

All accumulated liabilities from the retiring allowance program of the Guysborough Antigonish Strait Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2005.

8. Capital leases payable:

	2005	2004
8.00% 7 year capital leases on several pieces of equipment. Repayable in monthly amounts based on minimum annual commitments totaling $386,352 which includes cost of supplies, interest, maintenance and equipment cost	$ 439,174	$ 520,725
Amount repayable within one year	88,320	81,551
	$ 350,854	$ 439,174

Annual repayments required over the next five years are as follows: 2006 - $88,320; 2007 - $95,650; 2008 - $103,589 and 2009 - $112,187 and 2010 - $39,428.

9. Investment in capital assets:

a) Investment in capital assets is calculated as follows:

	2005	2004
Capital assets	$ 28,612,295	$ 29,504,477
Amounts financed by:		
Deferred contributions - spent	27,550,443	28,382,625
Capital lease additions	600,000	600,000
Amortization of capital lease assets	(120,000)	(60,000)
	28,030,443	28,922,625
	$ 581,852	$ 581,852

b) Changes in net assets invested in capital assets are calculated as follows:

	2005	2004
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	$ 1,758,132	$ 2,057,389
Department of Health	60,000	60,000
Amortization of capital assets	(1,818,132)	(2,117,389)
	$ ---	$ ---
Net change in investment in capital assets:		
Capital assets acquired	$ 925,950	$ 2,246,027
Amounts funded by deferred contributions	(925,950)	(1,646,027)
Funded by capital leases	---	(600,000)
	$ ---	$ ---

10. Accounts with the Department of Health:

The Health Authority has the following accounts with the Department of Health:

	2005	2004
Accounts receivable:		
Employee future benefits	$ 5,724,910	$ 5,354,486
Vacation liability	1,331,500	1,331,500
Nursing strategy	---	102,852
Capital items	337,141	514,471
Special maintenance	379,491	254,760
Hospital Information System project	1,077,671	1,450,042
Contract settlement	1,019,947	252,469
Hospital in the home	218,300	208,800
On Call Physician Program	119,415	96,255
Anesthesia	236,067	148,098
Pathology	326,953	197,751
Other	76,625	44,187
Retirement allowance payouts	115,456	76,515
	$ 10,963,476	$ 10,032,186

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

The adjustment, if any, on the ultimate settlement of the above amounts will be accounted for as a charge to or credit against income in the period in which settlement occurs.

11. Related parties:

The Health Authority is related to St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation and St. Mary's Memorial Hospital Society. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

The following amounts were due from or to the Foundations as at March 31:

	2005	2004
Operating fund:		
Due from Hospital Foundations:		
St. Martha's Regional Hospital Foundation	$ 9,495	$ ---

During the year ended March 31, 2005, the following amounts were received from the Foundations to purchase equipment:

	2005	2004
St. Martha's Regional Hospital Foundation	$ 47,463	$ 28,167
St. Martha's Regional Hospital Auxiliary	40,534	76,469
St. Mary's Memorial Hospital Foundation	8,513	26,600
Eastern Memorial Hospital Foundation	1,037	3,000
Strait Richmond Hospital Foundation	628	30,987
Strait Richmond Hospital Auxiliary	2,764	---
Guysbourough Memorial Hospital Foundation	5,512	---
Guysbourough Memorial Hospital Auxiliary	14,223	---
Eastern Memorial Hospital Auxiliary	714	---
	$ 121,388	$ 165,223

12. Contingencies:

The Health Authority has referred five incidents to their lawyers but no originating notice of action has been received.

The outcome of these matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that their insurance coverage is sufficient to meet or discharge any obligations arising from any possible lawsuits.

13. Fair value of financial assets and liabilities:

The carrying values of cash and marketable securities, accounts receivable, inventories, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

The carrying value of capital base payable approximate its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for a similar item.

14. Comparative figures:

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2005.

AUDITOR'S REPORT

To the Chairman and Commissioners of the
Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2004 and 2003 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Commission as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
Chartered Accountants

Halifax, Nova Scotia
February 11, 2005

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Balance Sheet
December 31, 2004

		2004		2003
				(in thousands)
ASSETS				
Current:				
Cash (note 1 (e))	$	6,845	$	14,289
Receivables				
Trade		89		35
Accrued receivables		17		40
Recoverable HST (note 2)		119		133
Prepaid expenses		266		231
		7,336		14,728
Deferred financing costs and discounts, net of accumulated amortization of $4,281 (2003 amortization $3,439) (note 1 (d))		2,318		3,299
Deferred transponder charges, net of accumulated amortization of $270 (2003 amortization $205) (note 9)		387		452
Property, plant and equipment (note 3)		69,922		71,439
Restricted assets (note 4)				
OM Fund		2,017		1,739
Debt Service Fund		2,808		2,974
Sinking Fund		11,391		8,908
Capital Fund		17,257		13,483
	$	113,436	$	117,022
LIABILITIES				
Current:				
Payables and accruals, trade	$	843	$	755
Project holdbacks payable		298		258
Accrued payables		432		456
Refundable customer transponder amounts (note 9)		1,804		1,558
Deferred revenue (note 1(b) and note 5)		2,810		2,745
		6,187		5,772
Long-term debt (note 6)				
Toll Revenue Bonds Series 1		94,379		100,000
Line of credit		19,000		23,000
		113,379		123,000
DEFICIT				
Reserve for restricted assets (note 4)		33,473		27,104
Deficit		(39,603)		(38,854)
		(6,130)		(11,750)
	$	113,436	$	117,022

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statement of Income and Deficit
Year ended December 31, 2004

	2004	2003
		(in thousands)
Revenue:		
Toll revenue (note 1(b))	$ 22,978	$ 23,003
Other rate revenue	153	135
Investment and sundry income		
Interest on restricted funds	1,371	1,141
Other	282	450
	24,784	24,729
Expenses:		
Operating expenses	4,037	3,597
Maintenance expenses	2,671	2,701
Amortization of property, plant and equipment	4,305	4,306
Amortization of deferred transponder charges	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,197	7,552
Loss on disposal of property, plant and equipment	360	74
	18,635	18,295
Operating Income	6,149	6,434
Premium on bonds purchased for cancellation	529	---
Net Income	5,620	6,434
Deficit, beginning of year	(38,854)	(39,036)
Appropriation to Restricted Asset Reserve	(6,369)	(6,252)
Deficit, end of year	$ (39,603)	$ (38,854)

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statements of Cash Flows
Year ended December 31, 2004

	2004	2003
	(in thousands)	
Operating Activities:		
Net income	$ 5,620	$ 6,434
Amortization of property, plant and equipment	4,305	4,306
Amortization of deferred finance costs	980	842
Amortization of deferred transponder charges	65	65
Loss on disposal of property, plant and equipment	360	74
	11,330	11,721
Net change in non-cash operating balances (note 8)	364	504
	11,694	12,225
Investing Activities:		
Purchase of property, plant and equipment	(3,167)	(1,412)
Proceeds from disposal of property, plant and equipment	19	14
Investment in Capital Fund	(3,775)	(3,623)
Investment in Sinking Fund	(2,483)	(2,389)
Investment in OM Fund	(277)	(240)
Decrease in Debt Service Fund	166	1
	(9,517)	(7,649)
Financing Activities:		
Bonds purchased for cancellation	(5,621)	---
Repayment on line of credit	(4,000)	---
	(9,621)	---
Increase (decrease) in cash during year	(7,444)	4,576
Cash, beginning of year	14,289	9,713
Cash, end of year	$ 6,845	$ 14,289

Notes to the Financial Statements
December 31, 2004

1. Significant Accounting Policies

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission recognizes revenue at the time a vehicle crosses a bridge. The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board.

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for d e p r e c i a t e d using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds Series 1, to December, 2007.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

f) Investments

Investment in Capital Fund and Sinking Fund are recorded at cost. Interest earned is accrued annually and added to the carrying value of the asset. Premiums paid on the purchase of the investments are added to the cost of the asset and amortized to investment income over the life of the related investment.

g) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, the Commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Property, plant and equipment

	Rate		2004 Cost		2004 Accumulated Amortization		2004 Net Book Value		2003 Net Book Value
							(in thousands)		
Land		$	5,735	$	---	$	5,735	$	5,735
Buildings	40 yrs s.l.		2,356		1,461		895		699
Bridge and bridge components									
Angus L. Macdonald	20 to 85 yrs s.l.		67,503		19,735		47,768		48,447
A. Murray MacKay	15 to 80 yrs s.l.		23,800		11,664		12,136		13,085
Electronic toll transponders	10 yrs s.l.		1,615		525		1,090		1,030
Computer equipment	30% d.b.		658		507		151		193
Toll and other equipment	20% d.b.		6,279		4,440		1,839		1,997
Mobile equipment	30 % d.b.		1,087		779		308		253
		$	109,033	$	39,111	$	69,922	$	71,439

4. Restricted Assets (in thousands)

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain four reserve funds, which will be funded from the revenues of the Commission, after payment of current operating and maintenance expenses. With the exception of the Capital Fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

The Operating and Maintenance (OM) Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2004 the OM Fund had a market value of $2,017 and was invested in Government of Canada Treasury Bills maturing in June 2005 with a yield of 2.52%.

The Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2004 the Debt Service Fund had a market value of $2,808 and was invested in cash and Government of Canada Treasury Bills maturing in June 2005 with a yield of 2.52%.

The Commission has been required to make quarterly contributions of $500 to the Sinking Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2004 the Sinking Fund had a market value of $11,515 and was invested in various federal and provincial bonds maturing in 2007 with yields of 3.15% to 6.68%.

The Commission has been required to make quarterly contributions of $750 to the Capital Fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2004, the Capital Fund had a market value of $17,405 and was invested in various federal, provincial and corporate bonds maturing in 2007 with yields of 5.20% to 7.92%.

5. Deferred Revenue

	2004	2003
	(in thousands)	
Unredeemed Tokens (see below).	$ 1,508	$ 1,551
Electronic Toll Collection (ETC) Accounts (see below).	1,302	1,194
	$ 2,810	$ 2,745

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long-term Debt

	2004	2003
	(in thousands)	
5.95% Toll Revenue Bonds Series 1 (see below)	$ 94,379	$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (see below)	19,000	23,000
	$ 113,379	$ 123,000

5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating and maintenance expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of $30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OM expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into the OM Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission. On April 1, 2004 the Commission paid $4,000 on the outstanding line of credit bringing the balance to $19,000.

The estimated fair market value of the $94,379 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2004, is $100,715. The reduction from $100,000 to $94,379 was achieved by purchasing for cancelation bonds with a face amount of $5,621.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next three years are as follows:

2005	$	5,000
2006	$	5,000
2007	$	3,750

7. Interest on long-term debt and amortization of deferred financing costs

Interest

	2004	2003
	(in thousands)	
Interest on long-term debt		
Toll Revenue Bonds	$ 5,683	$ 5,950
Line of Credit	534	760
Amortization of deferred financing costs and discounts	980	842
	$ 7,197	$ 7,552

8. Net change in non-cash operating balances

Net Change

	2004	2003
	(in thousands)	
Increase (decrease) in cash from changes in:		
Receivables	$ (17)	$ (106)
Prepaid expenses	(35)	(34)
Payables and accruals	105	315
Customer transponder amounts	246	253
Deferred revenue	65	76
	$ 364	$ 504

9. Transponders (in thousands)

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as property, plant and equipment (see Note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Financial Instruments

Fair value of financial instruments
Financial instruments of the Commission consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and long-term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and fixed-rate long-term debt, as disclosed in Note 4 and Note 6 respectively.

Interest rate risk
The market value of the Commission's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Note 4. The Commission is exposed to interest rate cash flow risk on the line of credit, as the interest rate is a floating rate that is reset as market rates change, as indicated in Note 6.

11. Related party transactions (in thousands)

As a provincially controlled public sector entity, the Commission is considered to be related to the Province of Nova Scotia. During the year, the Commission purchased from the Province, for cancellation, $5,621 of Toll Revenue Bonds Series 1 at market value for $6,150 (2003, $NIL). During the year, the Commission paid $4,000 on the outstanding line of credit to the Province of Nova Scotia leaving a balance at December 31, 2004 of $19,000 (2003, $23,000). In addition, the Commission paid interest during the year on the line of credit to the Province of Nova Scotia in the amount of $534 (2003, $760).

12. Pension plan (in thousands)

The Commission sponsors a defined contribution pension plan for all permanent employees. No future contributions are required in respect of past service at December 31, 2004. The Commission recognized an expense of $66 for pension contributions for 2004 ($65 for 2003).

13. Retirement benefits (in thousands)

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of $239 (2003, $180) in retirement benefits as at December 31, 2004. The amount of $59 was charged to administrative and maintenance expenses for the year (2003, $24) in this regard.

14. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The mandate of the Commission is to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

15. Contingencies

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

16. Additional Credit Facility (in thousands)

The Commission has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2004, no advances were outstanding.

17. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
The Halifax Regional School Board

We have audited the consolidated statement of financial position of the Halifax Regional School Board as at March 31, 2005, and the consolidated statements of operations and accumulated surplus, change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. As well, because of an absence of reliable accounting records, we were unable to verify the accuracy of opening balances of expenditure from school funded activities. Accordingly, our verification of these revenues and opening balances was limited to the amounts recorded in the records of the schools in which these funds were held. We were unable to verify the school funded activities and therefore not able to determine whether any adjustments might be necessary to revenue, expenditure, excess of revenue over expenditure, assets and net assets. The comparative balances of the school generated funds have not been presented in these financial statements.

In our opinion, except for the effect of adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenditure referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Dartmouth, Nova Scotia
June 8, 2005

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Statement of Financial Position
March 31, 2005

	2005	2004 (Restated) (Note 3)
Financial Assets		
Cash	$ 10,901,597	$ 8,415,880
Cash held by schools (Note 10)	5,077,828	---
Receivables		
Province of Nova Scotia	422,820	2,214,492
Province of Nova Scotia - teachers' salary accrual (Note 3 (a))	9,906,867	9,711,730
Province of Nova Scotia - long term service awards (Note 4)	47,716,435	52,235,665
Government of Canada	1,441,359	1,571,559
Other	1,877,839	1,956,957
Total Financial Assets	77,344,745	76,106,283
Liabilities		
Payables and accruals - trade	7,560,775	7,085,150
Payables and accruals - government		
Province of Nova Scotia	99,790	117,411
Halifax Regional Municipality	421,016	344,618
Other	494,563	806,319
Teachers' salary accrual (Note 3 (a))	9,906,867	9,711,730
Employee pension, retirement and post employment benefits	1,004,439	1,107,500
Deferred revenue	3,845,062	2,173,432
Service awards (Note 4)	47,716,435	52,235,665
Total Liabilities	71,048,947	73,581,825
Net Assets	6,295,798	2,524,458
Non-financial assets		
Prepaid expenses	1,056,776	1,041,548
Tangible capital assets (Note 2 (a))	223,047	---
	1,279,823	1,041,548
Accumulated Surplus (Note 11)	$ 7,575,621	$ 3,566,006

Trusts under administration (Note 2 (b))
Commitments (Note 6)
Contingencies (Note 7)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Statement of Operations and Surplus
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 (Restated) (Note 3) Actual
Revenue			
Province of Nova Scotia	$ 232,312,700	$ 232,458,706	$ 232,375,528
Halifax Regional Municipality	93,374,200	93,373,400	88,446,500
Government of Canada	1,547,600	1,484,914	2,171,649
Board operations	4,716,800	4,924,472	4,881,531
School generated funds (Note 10)	---	12,007,826	---
	331,951,300	344,249,318	327,875,208
Expenditure			
School administration	259,629,300	256,856,481	254,116,328
Program	11,039,100	10,252,703	8,691,444
Regional board management	2,546,900	2,632,959	2,400,155
Financial services	4,721,400	4,735,690	4,519,639
Operational services	50,708,600	55,299,103	53,395,955
Human resource services	3,306,000	3,532,769	4,461,428
School funded activities (Note 10)	---	10,842,806	---
	331,951,300	344,152,511	327,584,949
Excess of revenue over expenditure	$ ---	$ 96,807	$ 290,259

	2005	2004
Accumulated surplus, beginning of year, as previously reported	$ 3,681,272	$ 3,275,747
Accounting changes (Note 3 (a))	(115,266)	---
Opening balance as restated	3,566,006	3,275,747
Other adjustments (Note 3 (b))	3,912,808	---
Excess of revenue over expenditure	96,807	290,259
Accumulated surplus, end of year (Note 11)	$ 7,575,621	$ 3,566,006

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Consolidated Statement of Change in Net Assets
Year Ended March 31, 2005

		2005		2004 (Restated) (Note 3)
Net assets, beginning of year				
As previously reported	$	2,639,724	$	3,258,044
Accounting changes (Note 3)		(115,266)		---
As restated		2,524,458		3,258,044
Changes in the year				
Excess of revenue over expenditure		96,807		290,259
Acquisition of tangible capital assets		(251,611)		---
Amortization of tangible capital assets		28,562		---
Increase in prepaid expenses		(15,226)		(1,023,845)
Other adjustments (Note 3 (b))		3,912,808		---
Increase (decrease) in net assets		3,771,340		(733,586)
Net assets, end of year	$	6,295,798	$	2,524,458

Consolidated Statement of Cash Flows
Year Ended March 31, 2005

		2005		2004 (Restated) (Note 3)
Operating transactions				
Excess of revenue over expenditure	$	96,807	$	290,259
Non cash items included in annual surplus		28,562		---
Change in prepaid expenses		(15,228)		(1,023,846)
Change in deferred revenue		1,671,629		681,558
Change in receivables		6,325,083		7,614,718
Change in payables and accruals		(4,204,506)		(3,275,150)
Cash Provided by Operating Transactions		3,902,347		4,287,539
Capital transactions				
Acquisition of tangible capital assets		(251,609)		---
Cash applied to capital transactions		(251,609)		---
Other adjustments (Note 3(b))		3,912,808		---
Increase in cash and cash equivalents		7,563,546		4,287,539
Cash and cash equivalents, beginning of year		8,415,880		4,128,341
Cash and cash equivalents, end of year	$	15,979,426	$	8,415,880

See accompanying notes to the consolidated financial statements.

1. Nature of operations

The Halifax Regional School Board is an independent legal entity with an elected Board as stipulated under the Education Act. The Board is registered as a charitable organization under the Income Tax Act and, therefore, is exempt from income tax and may issue official receipts to donors for income tax purposes.

The Board provides a full range of educational services for all industrial programs from Grade Primary through Grade 12 at public schools within the Halifax Regional Municipality.

2. Financial reporting and accounting policies

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the School Board financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

The consolidated financial statements have also been prepared to comply with the provisions of the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. This handbook was extensively revised to reflect the requirements of the Public Sector Accounting Board, effective March 31, 2005.

These financial statements have been prepared using the following significant accounting policies:

(a) Significant accounting policies

Revenues
Revenues are recognized on an accrual basis. Grants received, donations and fees collected in advance of the provision or use of related services are deferred. The main components of revenue are funding from the Province of Nova Scotia and Halifax Regional Municipality.

Each year, contributions by volunteers support the delivery of certain programs within schools. Due to the difficulty in determining or otherwise estimating the value of these contributions and because these services are not otherwise purchased, contributed services are not quantified and recognized in these financial statements.

Expenses
Expenses are recorded on the accrual basis and include the cost of supplies inventory purchased during the year. Provisions are made for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are revised at least annually.

Financial assets
Cash and cash equivalents are recorded at cost which approximates market value. The Board's financial instruments consist of cash and cash equivalents, receivables and payables and accruals. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Liabilities
With adoption of Canadian generally accepted accounting principles for the fiscal year ended March 31, 2005, school boards accrue teachers' and teacher substitutes' salary and benefit costs at year end. As directed by the Province of Nova Scotia, school boards record an offsetting receivable from the Province. In future, the annual accrual and offsetting receivable will be adjusted as required. The adoption of this accrual has been applied retroactively.

Salaries, vacation pay and benefits of non-teaching employees are also accrued at year end. There is no equivalent offsetting receivable except for vacation pay.

Following school board amalgamation in 1996, the Halifax Regional School Board provided enhanced pension benefits to certain employees retiring from the Board. Whith the adoption of Canadian generally accepted accounting principles, the Board is required to recognize the actuarial liability of these post employment benefits. The actuarial benefit obligation will be amortized over the remaining period of the pension enhancement. The amount has been actuarially determined as at March 31, 2005, and has been recorded retroactively.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks, short term deposits and bank balances held by schools. Bank borrowings are considered to be financing activities as they occur during the year.

Net assets
Net assets represents the financial assets of the Board, less direct liabilities.

Non-financial assets
Tangible capital assets having useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets paid for by the Province either through direct payment or cost recovery are excluded as per the School Board Financial Handbook.

All tangible capital assets recorded prior to this fiscal year have been removed from the financial statements. Capital assets that were purchased by the Board during the year have been recorded as assets and amortized according to the Province of Nova Scotia's tangible capital assets accounting policy thresholds. These thresholds are as follows:

Building betterments	$ 150,000	Amortization:	5% declining balance
Motor vehicles	$ 15,000	Amortization:	35% declining balance

Under the agreement with the municipal councils, all school buuildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time as the board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Halifax Regional Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds or disposition.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the goods or services are used or consumed.

(b) Trust funds under administration

The trust funds represent capital contributed in trust from which the income thereon is used to provide scholarships for eligible students. A schedule of trust funds is included with these financial statements.

(c) Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts by fund of revenue and expenditure. Actual results could differ from these estimates.

3. Accounting changes

(a) As a result of adopting Canadian generally accepted accounting principles effective March 31, 2005, certain amounts were required to be adjusted on a retroactive basis. This had the effect of changing the reported results for 2004 as follows:

		Increase		**Decrease**
Accounts Receivable	$	9,711,730		
Accounts Payable			$	992,234
Teachers Salary Accrual	$	9,711,730		
Employee pension, retirement and post employment benefits	$	1,107,500		
Revenue - Province of Nova Scotia	$	992,234		
Expenditures - Human Resource Services - Employee pension, retirement and post employment benefits	$	1,107,500		

(b) During the year, the Board adopted the recommendations of PSAB. As a result, the Board is now required to recognize school based funds which were not previously reported. An adjustment of $3,912,808 to the surplus and the opening cash balance was recorded.

4. Service awards

Qualifying employes receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between unions and the Board and predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which the payment is to be made.

The Province of Nova Scotia assumed responsibility for the payment of service awards to qualifying employees effective April 1, 2002, and all school boards in Nova Scotia are required to recognize the projected liability with respect to these service awards. The projected liability is offset by a corresponding receivable from the Province. The amount of the projected liability has been determined by the Nova Scotia Department of Finance, based on an actuarial valuation. Beginning in fiscal 2003, school boards remit an amount annually, as determined by the Province of Nova Scotia, to the Province as a result of the Province assuming the responsibility for the payment of these service awards.

5. Pension plans

(a) Teachers

The Board's teachers are members of a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Province of Nova Scotia is responsible for funding this plan and accordingly no provision is included in the Board's financial statements for the related pension amounts.

(b) Non-teachers

The Board and its non-teaching employees participate in the Halifax Regional Municipality Pension Plan, a multi-employer pension plan. Employer pension costs of $3,848,573 are included in these financial statements for 2004-05 which represent the cost of employer contributions for current service of participating employees during the year. Employees and the employer both contribute at the rate of 8.56% of pensionable earnings. The rate changed from 6.76% on April 1, 2004.

The audited financial statements of the Halifax Regional Municipality for the fiscal year ended March 31, 2004 indicate that the date of the last actuarial valuation of the plan was January 1, 2003. It is also disclosed that an extrapolation of the January 1, 2003 actuarial valuation to December 31, 2003 is as follows:

Actuarial value of plan assets	$	805,024,000
Actuarial value of plan liabilities	$	786,651,000
Surplus	$	18,373,000

6. Commitments

(a) The Board has entered into agreements to lease buildings and office equipment for various periods until 2008. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment is as follows:

	Buildings	Equipment	Total
2006	$ 102,250	$ 250,078	$ 353,328
2007	58,505	---	58,505
2008	29,253	---	29,253
	$ 190,008	$ 250,078	$ 441,086

The Board is also committed to lease photocopiers. The payment is based on usage and, therefore, cannot be accurately estimated.

(b) The Board has contracted for the provision of transportation services until June 30, 2006. The cost of this contract approximates $10,600,000 per annum.

(c) The Board is committed to pay management fees of approximately $90,300 for the five months ended August 31, 2005 to Ashford Properties for services related to O'Connell Drive School.

7. Contingencies

(a) The Board incurred expenditures relating to environmental matters in its properties during the year ended March 31, 2005 and prior years. It is likely that such expenditures will continue in future years and will be funded as incurred. The future liability relating to environmental matters in properties is not determinable at this time.

(b) The Board has not recognized in these financial statements, the liability associated with accumulated sick leave earned by teachers as the liability cannot be reasonably estimated.

8. Bank indebtedness

The Board has an operating line of credit of $3,000,000 with interest at prime. As at March 31, 2005, this line of credit had not been utilized.

9. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums; and
- Certain IT systems and support.

10. School generated funds

These financial statements include funds arising from certain school and student activities that are controlled and administered locally by each school, but for which the Board is accountable. Revenue from school generated funds is recognized as the funds are received. School fund activities are recorded as funds are expended. For the 2005 fiscal year, the period covered June 30, 2004 to March 31, 2005. Future financial statements will provide information for a full 12 month fiscal period.

Changes in cash held by schools are as follows:

Balance, June 30, 2004	$	3,912,808
Additions to school generated funds		12,007,826
School funded activities		10,842,806
Balance, March 31, 2005	$	5,077,828

11. Accumulated surplus

Accumulated surplus is the sum of the financial assets plus non-financial assets of the Board less liabilities. This represents the accumulated balance of net surplus arising from the operations of the Board.

The changes in accumulated surplus, as well as the designation of surplus are as follows:

		2005		**(Restated) 2004**
Opening balance, April 1, as previously reported	$	3,681,272	$	3,275,747
Accounting changes (Note 3(a))		115,266		---
Opening balance, as restated		3,566,006		3,275,747
Accounting changes (Note 3(b))		3,912,808		---
(Deficit) surplus - General Fund		271,131		140,370
(Deficit) surplus - Supplementary Fund		(174,324)		149,889
Ending balance, March 31	$	7,575,621	$	3,566,006

Designation of accumulated surplus

		2005		2004
General Fund - unrestricted	$	1,297,892	$	2,794,070
General Fund - program resources (schools)		886,545		472,679
General Fund - capital amortization.		188,423		---
School based funds		5,077,828		---
Supplementary funds		124,933		299,257
	$	7,575,621	$	3,566,006

12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Statement of Operations
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 (Restated) (Note 3) Actual
Revenue			
Province of Nova Scotia	$ 232,312,700	$ 232,458,706	$ 232,375,528
Halifax Regional Municipality	72,527,200	72,527,201	67,600,303
Government of Canada	1,547,600	1,484,914	2,171,649
Board operations	4,716,800	4,924,472	4,881,531
School generated funds (Note 10)	---	12,007,826	---
	311,104,300	323,403,119	307,029,011
Expenditure			
School administration	238,858,300	235,911,958	233,492,420
Program	11,039,100	10,252,703	8,691,444
Regional board management	2,546,900	2,632,959	2,400,155
Financial services	4,721,400	4,735,690	4,519,639
Operational services	50,632,600	55,223,103	53,323,555
Human resource services	3,306,000	3,532,769	4,461,428
School funded activities (Note 10)	---	10,842,806	---
	311,104,300	323,131,988	306,888,641
Excess of revenue over expenditure	$ ---	$ 271,131	$ 140,370

	2005	2004
Accumulated surplus, beginning of year, as previously reported	$ 3,382,015	3,126,379
Accounting changes (Note 3(a))	(115,266)	---
Opening balance as restated	3,266,749	3,126,379
Other adjustment (Note 3(b))	3,912,808	---
Excess of revenue over expenditure	271,131	140,370
Accumulated surplus, end of year	$ 7,450,688	$ 3,266,749

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Revenue
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 (Restated) (Note 3) Actual
Province of Nova Scotia			
Formula funding	$ 227,240,200	$ 226,858,473	$ 226,549,775
Provincial initiatives	2,632,800	2,063,016	1,670,036
Capital grants	1,164,300	1,488,185	1,377,624
French special projects	126,600	126,380	159,394
Other	1,148,800	1,922,652	2,618,699
	232,312,700	232,458,706	232,375,528
Halifax Regional Municipality			
Mandatory	72,527,200	72,527,201	67,600,303
Government of Canada			
Adult ESL	677,300	700,020	713,408
Minority official language	244,900	176,250	306,209
French special projects	316,400	344,411	413,297
Other	309,000	264,233	738,735
	1,547,600	1,484,914	2,171,649
Board operations			
Investment income	450,000	512,086	598,821
FLEC's fees	321,300	286,194	297,915
Summer school fees	120,000	78,390	111,437
Facilities rental	640,400	458,580	739,998
EXCEL program fees	2,050,000	2,296,012	1,953,460
International students	896,900	1,030,411	923,367
Other	238,200	262,799	256,533
	4,716,800	4,924,472	4,881,531
School generated funds (Note 10)	---	12,007,826	---
	$ 311,104,300	$ 323,403,119	$ 307,029,011

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 (Restated) (Note 3) Actual
School Administration			
Board Administration			
Salaries	$ 1,504,600	$ 1,500,534	$ 1,421,823
Benefits	116,600	106,337	99,997
Supplies and materials	49,400	59,551	60,456
Other	43,400	44,020	53,314
	1,714,000	1,710,442	1,635,590
Instruction			
Teachers' salaries	143,690,300	143,273,016	138,723,438
Substitutes	8,686,600	8,854,107	8,822,317
Benefits	10,636,500	10,364,411	16,682,388
	163,013,400	162,491,534	164,228,143
Special Education			
Teachers' salaries	14,875,600	14,198,835	13,388,091
Educational program assistants	13,208,200	12,704,512	12,668,599
Benefits	4,636,800	4,335,734	3,835,376
Travel	27,200	19,091	24,681
	32,747,800	31,258,172	29,916,747
Student Support			
Salaries	3,407,400	3,427,710	1,405,590
Benefits	311,600	239,765	75,951
Reading improvement initiative	356,000	194,110	---
	4,075,000	3,861,585	1,481,541
Program Support Resources			
School based and centrally managed materials	2,938,200	3,359,948	3,474,277
Equipment	560,000	125,832	121,956
Telephones, data and fax lines	1,015,900	1,006,609	929,558
Technology	295,000	307,549	382,403
Textbook credit allocation	2,864,400	2,864,400	2,840,749
Grants	443,600	237,663	466,920
Travel	218,000	192,040	195,987
	8,335,100	8,094,041	8,411,850
Library and Guidance			
Teachers' salaries - guidance	3,470,400	3,365,497	3,148,597
Teachers' salaries - library	863,300	859,893	811,443
Library technicians	240,700	240,194	244,595
Benefits	325,100	323,711	310,020
	4,899,500	4,789,295	4,514,655

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 (Restated) (Note 3) Actual
Teacher Administrators			
Salaries	$ 15,581,100	$ 15,799,738	$ 14,947,460
Benefits	850,900	819,905	811,858
	16,432,000	16,619,643	15,759,318
Program Support Staff			
School secretaries	4,142,400	4,089,107	4,187,369
Security	92,900	78,505	72,021
Lunch and bus monitors	800,000	671,878	799,608
Benefits	1,086,800	961,118	902,738
	6,122,100	5,800,608	5,961,736
Professional Development	172,200	71,286	59,529
International Students Program	583,200	645,857	542,048
Community Education Projects	649,000	492,037	882,095
Summer school	115,000	77,458	99,168
	$ 238,858,300	$ 235,911,958	$ 233,492,420
Program			
Board Administration			
Salaries	$ 2,245,500	$ 2,218,481	$ 2,014,170
Benefits	153,600	157,246	147,460
Supplies and materials	95,400	111,859	109,980
Other	65,000	57,004	53,844
	2,559,500	2,544,590	2,325,454
Special Education			
Salaries	3,822,900	3,829,025	3,298,118
Benefits	294,000	284,473	242,999
Supplies and materials	940,100	775,607	477,134
	5,057,000	4,889,105	4,018,251
Student Support			
Salaries	322,500	283,635	216,318
Benefits	21,300	17,503	9,804
Contracted services	125,000	---	11,417
Other	50,000	193,989	41,889
	518,800	495,127	279,428

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 (Restated) (Note 3) Actual
Program Support Resources	$ 361,900	$ 429,210	$ 449,764
Professional Development	2,541,900	1,894,671	1,618,547
	$ 11,039,100	$ 10,252,703	$ 8,691,444
Regional Board Management			
Board Members			
Honoraria	$ 116,900	$ 121,891	$ 115,443
NSSBA dues	175,700	175,648	146,182
Travel and conferences	56,000	38,598	39,799
Other	36,000	260,972	49,869
	384,600	597,109	351,293
Board Administration			
Salaries	1,065,600	1,012,662	1,152,054
Benefits	145,700	136,458	125,144
Supplies and materials	426,000	408,107	376,704
Professional services	500,000	455,760	361,336
Travel	25,000	22,863	33,624
	2,162,300	2,035,850	2,048,862
	$ 2,546,900	$ 2,632,959	$ 2,400,155
Financial Services			
Board Administration			
Salaries	$ 1,451,800	$ 1,337,354	$ 1,354,264
Benefits	278,100	245,002	222,768
Supplies and materials	95,000	101,567	103,247
Liability insurance	249,600	249,612	249,614
Professional services	40,000	52,034	23,318
Service contracts	159,900	321,511	289,244
Other	32,000	24,680	23,532
	2,306,400	2,331,760	2,265,987
EXCEL program			
Salaries	1,384,400	1,392,389	1,276,086
Benefits	154,000	128,855	113,775
Supplies and materials	140,800	138,155	115,875
Other	58,500	44,511	34,508
	1,737,700	1,703,910	1,540,244
Adult ESL	677,300	700,020	713,408
	$ 4,721,400	$ 4,735,690	$ 4,519,639

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2005

	2005		2004
			(Restated) (Note 3)
	Budget	Actual	Actual
Operational Services			
Board Administration			
Salaries	$ 1,228,900	$ 1,336,474	$ 1,280,533
Benefits	217,400	168,905	259,691
Other	137,400	133,421	164,832
	1,583,700	1,638,800	1,705,056
Custodial Services			
Salaries	10,690,500	10,909,633	10,859,257
Benefits	2,632,900	3,098,404	2,532,894
Supplies and equipment	738,000	1,035,690	988,898
Building rent expense	58,000	62,757	83,845
Contracted services			
Snow removal	875,000	1,524,376	1,437,710
Garbage	499,300	495,987	455,636
Grass cutting	75,000	75,428	178,043
P3 school maintenance	235,000	300,809	157,031
Security	25,000	21,468	---
Other	15,000	5,434	1,137
	15,843,700	17,529,986	16,694,451
Maintenance Services			
Salaries	1,811,000	1,539,214	1,627,723
Benefits	436,900	410,506	357,300
Supplies and equipment	3,029,600	4,974,256	4,988,853
Vehicles	225,000	183,662	515,207
Regulatory maintenance services	525,400	788,870	806,040
Relocation expenses	103,500	152,269	176,266
Other	6,300	1,159	2,464
	6,137,700	8,049,936	8,473,853
Plant Operations			
Insurance	779,900	796,479	776,965
Utilities			
Electricity	4,600,000	4,467,960	4,416,125
Heating fuel	3,627,000	4,338,145	3,344,824
Water/sewer	800,000	928,181	838,716
Telephone/fax/data	75,000	85,325	74,832
	9,881,900	10,616,090	9,451,462
Capital Repairs and Renovations	2,958,300	3,139,198	3,240,796
Student Transportation	11,822,100	11,816,771	11,440,760

HALIFAX REGIONAL SCHOOL BOARD

General Fund
Detail of Expenditure (continued)
Year Ended March 31, 2005

	2005		2004 (Restated) (Note 3)
	Budget	Actual	Actual
Technology Services			
Salaries	$ 949,400	$ 956,235	$ 900,954
Benefits	195,100	189,727	167,380
Supplies and materials	316,900	437,734	436,913
IEIE - non-salary expenses	122,900	130,898	180,232
Other	268,300	273,613	166,941
	1,852,600	1,988,207	1,852,420
Facilities Rentals			
Salaries	465,700	375,435	429,268
Benefits	30,100	21,362	29,808
Supplies and materials	56,800	47,318	5,681
	552,600	444,115	464,757
	$ 50,632,600	$ 55,223,103	$ 53,323,555
Human Resource Services			
Board Administration			
Salaries	$ 1,106,500	$ 1,193,897	$ 1,124,620
Benefits	175,900	171,459	147,670
Supplies and materials	108,000	152,055	126,268
Professional services	50,000	44,515	37,052
Telephones	18,000	13,700	19,105
Other	223,900	601,440	1,716,666
	1,682,300	2,177,066	3,171,381
Staff Development			
Sabbaticals	45,000	43,659	223,070
Professional development	1,578,700	1,312,044	1,021,003
	1,623,700	1,355,703	1,244,073
Community Projects	---	---	45,974
	$ 3,306,000	$ 3,532,769	$ 4,461,428
School funded activities (Note 10)	$ ---	$ 10,842,806	$ ---
Total expenditures	$ 311,104,300	$ 323,131,988	$ 306,888,641

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund
Statement of Operations and Surplus
Year Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Revenue			
Halifax Regional Municipality	$ 20,847,000	$ 20,846,199	$ 20,846,197
Expenditure			
School administration	20,771,000	20,944,523	20,623,908
Operational services	76,000	76,000	72,400
	20,847,000	21,020,523	20,696,308
(Deficiency) excess of revenue over expenditure	$ ---	$ (174,324)	$ 149,889
Surplus, beginning of year		$ 299,257	$ 149,368
(Deficiency) excess of revenue over expenditure		(174,324)	149,889
Surplus, end of year		$ 124,933	$ 299,257

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax
Detail of Revenue and Expenditure
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Revenue			
Halifax Regional Municipality	$ 12,295,800	$ 12,294,999	$ 12,294,997
Expenditure			
School services			
Teachers' salaries			
Classroom	5,301,100	5,303,269	5,289,240
Special education	1,864,400	1,757,096	1,935,370
Guidance	157,900	170,945	64,967
Teacher administrators	1,098,700	1,163,675	1,101,110
Substitutes	252,700	252,720	253,479
Non-teachers' salaries			
Educational program assistants	837,300	826,283	822,304
Library technicians	760,900	726,099	765,086
School secretaries	169,200	172,827	168,480
Student support workers	61,400	60,631	61,239
Benefits	1,073,500	986,617	959,877
Program Support Resources	718,700	1,025,826	849,888
	12,295,800	12,445,988	12,271,040
(Deficiency) excess of revenue over expenditure	$ ---	$ (150,989)	$ 23,957

	2005	2004
Surplus, beginning of year	$ 162,605	$ 138,648
(Deficiency) excess of revenue over expenditure	(150,989)	23,957
Surplus, end of year	$ 11,616	$ 162,605

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Dartmouth
Detail of Revenue and Expenditure
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Revenue			
Halifax Regional Municipality	$ 5,239,200	$ 5,239,200	$ 5,239,200
Expenditure			
School services			
Teachers' salaries			
Classroom	2,018,000	2,023,934	2,255,413
Special education	837,700	804,093	794,451
Guidance	230,500	223,635	133,799
Teacher administrators	155,300	153,877	159,915
Substitutes	97,200	97,200	99,221
Non-teachers' salaries			
Educational program assistants	353,100	358,599	339,794
Library technicians.	430,900	425,352	413,018
School secretaries.	109,800	110,271	93,030
Student support workers	31,900	31,185	34,396
Benefits.	471,900	432,460	421,115
Program Support Resources	426,900	531,746	389,103
	5,163,200	5,192,352	5,133,255
Student transportation.	76,000	76,000	72,400
	5,239,200	5,268,352	5,205,655
(Deficiency) excess of revenue over expenditure	$ ---	$ (29,152)	$ 33,545

	2005	2004
Surplus, beginning of year	$ 47,766	$ 14,221
(Deficiency) excess of revenue over expenditure	(29,152)	33,545
Surplus, end of year	$ 18,614	$ 47,766

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax County/Bedford
Detail of Revenue and Expenditure
Year Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Revenue			
Halifax Regional Municipality	$ 3,312,000	$ 3,312,000	$ 3,312,000
Expenditure			
Centrally Managed Services			
Teachers' salaries			
Special education	1,116,100	1,125,220	983,291
Substitutes	33,500	33,504	30,360
Non-teachers' salaries			
Educational program assistants	28,300	27,834	31,822
Benefits	91,200	85,617	72,367
Program Support Resources	---	79,693	---
	1,269,100	1,351,868	1,117,840
Family Allocations			
Budget allocated to families	2,042,900	---	---
Teachers' salaries			
Classroom	---	565,379	707,894
Special education	---	111,502	135,632
Teacher librarians	---	63,462	51,672
Administrators	---	84,051	80,776
Substitutes	---	15,456	4,482
Non-teachers' salaries			
Educational program assistants	---	36,751	92,525
Library technicians	---	602,809	586,640
School secretaries	---	151,140	98,851
Benefits	---	245,537	232,402
Supplies and materials	---	78,228	110,899
	2,042,900	1,954,315	2,101,773
	3,312,000	3,306,183	3,219,613
Excess of revenue over expenditure	$ ---	$ 5,817	$ 92,387

	2005	2004
Surplus (deficit), beginning of year	$ 88,887	$ (3,500)
Excess of revenue over expenditure	5,817	92,387
Surplus, end of year	$ 94,704	$ 88,887

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Details of Tangible Capital Assets (Note 2(a))
Year Ended March 31, 2005

	Buildings	Vehicles	Total
Cost of tangible assets			
Opening costs	$ ---	$ ---	$ ---
Additions	198,340	53,269	251,609
Disposals	---	---	---
Closing costs	198,340	53,269	251,609
Accumulated amortization			
Opening costs	---	---	---
Disposals	---	---	---
Amortization expense	9,917	18,645	28,562
Closing balance	9,917	18,645	28,562
Net book value	$ 188,423	$ 34,624	$ 223,047
Opening balance, April 1, 2004	$ ---	$ ---	$ ---
Closing balance, March 31, 2005	188,423	34,624	223,047
Increase in net book value	$ 188,423	$ 34,624	$ 223,047

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds
March 31, 2005

	George Perrin	Christopher Maxwell	Abbie J. Lane	Doane Hatfield	Annie M. Piercey	James R. Pineo	Almar H. Shatford	Mengie Shulman	Harold T. Barrett	Carl & Rita Turner
Cash.	$ 522	$ 52	$ 455	$ 34	$ 616	$ 10,597	$ 613	$ 2,779	$ 1,149	1,914
Restricted cash.	10,000	500	8,500	500	5,000	---	16,317	---	10,000	---
Due (to) from Operating Fund Investments	---	---	---	---	---	100,000	---	---	---	---
	$ 10,522	$ 552	$ 8,955	$ 534	$ 5,616	$ 110,597	$ 16,930	$ 2,779	$ 11,149	1,914
Equity Fund.	$ 10,522	$ 552	$ 8,955	$ 534	$ 5,616	$ 110,597	$ 16,930	$ 2,779	$ 11,149	1,914
Balance, beginning of year	$ 10,326	$ 542	$ 8,772	$ 524	$ 5,511	$ 109,388	$ 17,183	$ 3,096	10,941	2,373
Donations.	---	---	---	---	---	---	---	---	---	---
Interest earned	196	10	183	10	105	9,209	323	58	208	41
	10,522	552	8,955	534	5,616	118,597	17,506	3,154	11,149	2,414
Awards paid	---	---	---	---	---	8,000	576	375	---	500
Balance, end of year	$ 10,522	$ 552	$ 8,955	$ 534	$ 5,616	$ 110,597	$ 16,930	$ 2,779	$ 11,149	1,914

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds (continued)
March 31, 2005

	Nick Oxner	John Travers Cornwell	Edith Cavell Prize	Donald Keith	Madeline LePage Godin	Spryfield Auxiliary	Ron Ruggles Memorial Fund	Surjit Verma Scholarship Fund	Dennis Tulley Memorial Bursary	2004/2005 Total
Cash.	$ 4,488	$ 11,820	$ 2,219	$ 190	$ 3,031	$ ---	$ 1,079	$ 9,620	$ 5,001	$ 56,179
Restricted cash.	---	---	---	7,023	5,000	---	---	---	---	62,840
Due (to) from Operating Fund Investments	---	---	---	---	---	---	---	---	---	100,000
	$ 4,488	$ 11,820	$ 2,219	$ 7,213	$ 8,031	$ ---	$ 1,079	$ 9,620	$ 5,001	$ 219,019
Equity Fund.	$ 4,488	$ 11,820	$ 2,219	$ 7,213	$ 8,031	$ ---	$ 1,079	$ 9,620	$ 5,001	$ 219,019
Balance, beginning of year	$ 5,032	$ 11,600	$ 2,178	$ 7,326	$ 7,881	$ 4	$ 812	$ ---	---	203,489
Donations.	20	---	---	---	---	---	250	9,500	5,000	14,770
Interest earned	86	220	41	137	150	---	17	120	1	11,115
	5,138	11,820	2,219	7,463	8,031	4	1,079	9,620	5,001	229,374
Awards paid	650	---	---	250	---	4	---	---	---	10,355
Balance, end of year	$ 4,488	$ 11,820	$ 2,219	$ 7,213	$ 8,031	$ ---	$ 1,079	$ 9,620	$ 5,001	$ 219,019

AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2005, and the statements of earnings and deficit 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, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Canada
May 13, 2005

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statements of Earnings and Deficit
Year Ended March 31, 2005

	Budget 2005	Actual 2005	Actual 2004
Revenue			
Facility revenue	$ 16,630,000	$ 16,954,490	$ 14,717,403
Interest income	465,000	711,759	757,746
	17,095,000	17,666,249	15,475,149
Expenses			
Bondholder representative fees	165,500	107,910	103,536
Trustee fees	33,617	32,052	30,872
Salaries and benefits	147,100	135,358	118,190
Office	49,100	48,690	48,589
General and administrative	238,600	195,032	158,980
Enforcement	60,000	60,000	60,000
Independent engineer	50,000	36,379	60,172
Routine maintenance	900,700	883,874	850,849
Major maintenance	357,600	249,378	483,251
Facility operations	1,904,335	1,920,430	1,860,350
Transponders	63,074	57,958	66,694
	3,969,626	3,727,061	3,841,483
Earnings before other items	13,125,374	13,939,188	11,633,666
Other Items			
Government assistance amortization (Note 2)	1,265,058	1,265,057	1,204,817
Amortization and depreciation	(2,889,250)	(2,865,547)	(2,729,806)
Interest on long term debt	(8,516,966)	(8,517,068)	(8,443,686)
Net earnings	$ 2,984,216	$ 3,821,630	$ 1,664,991

	Actual 2005	Actual 2004
Deficit, beginning of year	$ (15,733,019)	$ (13,573,769)
Net earnings	3,821,630	1,664,991
Transfer to reserve for restricted assets (Note 9)	(6,111,137)	(3,824,241)
Deficit, end of year	$ (18,022,526)	$ (15,733,019)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Balance Sheet
March 31, 2005

ASSETS

		2005		2004
Current				
Cash and cash equivalents	$	553,033	$	650,560
Inventory		6,501		12,530
Prepaids (Note 3)		359,012		331,965
Receivables (Note 4)		106,745		72,180
		1,025,291		1,067,235
Restricted assets (Note 5)		26,156,658		20,045,521
Facility (Note 6)		106,913,678		109,779,225
Deferred financing fees (Note 2)		500,531		535,965
	$	134,596,158	$	131,427,946

LIABILITIES

		2005		2004
Current				
Payables and accruals	$	306,295	$	622,004
Current portion of long term debt		1,108,652		996,969
Deferred revenue		716,252		618,398
		2,131,199		2,237,371
Long term debt (Note 7)		82,573,657		81,855,846
Payable to the Province of Nova Scotia (Note 8)		250,000		250,000
Deferred government assistance (Note 2)		47,446,250		48,711,307
		132,401,106		133,054,524

SHAREHOLDERS' EQUITY (DEFICIENCY)

		2005		2004
Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia		1		1
Reserve for restricted assets (Note 9)		20,217,577		14,106,440
Deficit		(18,022,526)		(15,733,019)
		2,195,052		(1,626,578)
	$	134,596,158	$	131,427,946

Commitments and contractual obligations (Note 12)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 3,821,630	$ 1,664,991
Government assistance amortization	(1,265,057)	(1,204,817)
Capitalized interest on bonds (Note 7)	1,826,463	1,652,655
Amortization of deferred financing fees	35,434	35,434
Amortization and depreciation	2,865,547	2,729,806
	7,284,017	4,878,069
Change in non-cash operating working capital (Note 11)	(273,438)	(4,822)
	7,010,579	4,873,247
Financing		
Principal repayment on bonds	(996,969)	(896,554)
Investing		
Increase in restricted assets	(6,111,137)	(3,824,241)
Net (decrease) increase in cash and cash equivalents	(97,527)	152,452
Cash and cash equivalents, beginning of year	650,560	498,108
Cash and cash equivalents, end of year	$ 553,033	$ 650,560

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia. The Corporation has been designated a Government Business Enterprise by the Nova Scotia Provincial Finance Act. The Corporation follows generally accepted accounting policies for profit-oriented enterprises.

2. Summary of significant accounting policies

Pre-operating and operating periods
The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility
The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the Facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Also included in the Facility are computer equipment costs of $44,940. These costs are being amortized over three years under the straight line method.

Revenue recognition
The Corporation recognizes revenue at the time a vehicle utilizes the highway.

Deferred costs - financing fees
Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance
Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less with the exception of restricted cash balances which are included in restricted assets. Bank borrowings are considered to be financing activities.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. Prepaids

	2005	2004
Operating expenses	$ 34,487	$ 36,235
Advance to operator	324,525	295,730
	$ 359,012	$ 331,965

4. Receivables

	2005	2004
Harmonized Sales Tax	$ 72,575	$ 45,372
Other	34,170	26,808
	$ 106,745	$ 72,180

5. Restricted assets

	Cash	Investments	2005 Total	2004 Total
Senior debt service reserve account	$ 614	$ 5,651,491	$ 5,652,105	$ 5,712,221
Capital reserve account	875	16,531,912	16,532,787	10,575,301
Major maintenance reserve account	1,145	3,970,621	3,971,766	3,757,999
	$ 2,634	$ 26,154,024	$ 26,156,658	$ 20,045,521

Investments are recorded at cost, have a weighted average term of 9.21 (2004-10.14) months to maturity and a weighted average interest rate of 2.80% (2004-3.26%). The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

(i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.

(ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

(iii) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

	Cost	Accumulated Depreciation	2005 Net book Total	2004 Net book Total
Facility	$ 124,667,559	$ 17,753,881	$ 106,913,678	$ 109,779,225

7. Long term debt

	2005	2004
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of $2,251,191. The amount by which the interest expense has exceeded interest payments has been capitalized as part of the principal. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account	$ 74,865,042	$ 73,038,579
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of $503,395. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders	8,817,267	9,814,236
Less: principal repayments due within one year	(1,108,652)	(996,969)
	$ 82,573,657	$ 81,855,846

Minimum principal repayments required are as follows:

2006	$	1,108,652
2007		2,498,137
2008		2,769,342
2009		3,070,036
2010		3,403,379

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is $107,072,500 (2004 - $104,827,000) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

8. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced $250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

9. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	2005	2004
Reserve for restricted assets, beginning of year	$ 14,106,440	$ 10,282,199
Transfers from project account	13,723,500	11,255,000
Interest income	639,488	739,970
Long term debt payments, including interest	(7,652,141)	(7,652,151)
Major maintenance payments, including HST to be recovered	(599,710)	(518,578)
	6,111,137	3,824,241
Reserve for restricted assets, end of year	$ 20,217,577	$ 14,106,440

10. Financial instruments

The Corporation's financial instruments consist of prepaids, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. 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.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 7 to the financial statements.

11. Supplemental cash flow information

	2005	2004
Change in non-cash operating working capital		
Inventory	$ 6,029	$ (4,900)
Prepaids	(27,047)	(2,682)
Receivables	(34,565)	8,727
Payables and accruals	(315,709)	(42,491)
Deferred revenue	97,854	36,524
	$ (273,438)	$ (4,822)
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 553,033	$ 650,560
Interest paid	$ 6,655,171	$ 6,759,597

12. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**
  Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfill its obligations to the Province.

  Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty year period, at which time this right will revert back to the Province.

  The Province contributed $55,000,000 to the project.

- **Operating Agreement**
  Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

  Facility operations expenses paid to the Operator during the year totalled $1,920,430 (2004 - $1,860,530).

  Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

- **Major Maintenance Reserve Fund Agreement**
  Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is $50,000. The agreement with the independent engineer was renewed for a one year term in November 2004.

The estimated deposits required to fund anticipated major mainenance for the next five years are as follows:

2006	$	700,000
2007		700,000
2008		700,000
2009		825,000
2010		1,180,000

- **Annual Roadway Maintenance Agreement**
  The five year agreement, renewed March 3, 2004, between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of $847,200 and subsequently adjusted thereafter for inflation.

  During the year, the Corporation incurred management fees of $16,373 (2004 - $22,539) from the Province of Nova Scotia.

- **Other**
  The Corporation had also entered into various operating lease agreements for equipment and office space. The minimum lease payments for the next two years are as follows:

2006	$	28,101
2007		27,102

13. Comparative figures

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

AUDITOR'S REPORT

lembers of the Legislative Assembly of Nova Scotia; and

linister of Economic Development

ıudited the balance sheet of the Industrial Expansion Fund as at March 31, 2005, and the statements inuity of fund for the year then ended. These financial statements are the responsibility Fund's management. My responsibility is to express an opinion on these financial statements ı my audit.

ıcted my audit in accordance with Canadian generally accepted auditing standards. Those s require that I plan and perform an audit to obtain reasonable assurance whether ancial statements are free of material misstatement. An audit includes examining, on basis, evidence supporting the amounts and disclosures in the financial statements. An ılso includes assessing the accounting principles used and significant estimates made gement, as well as evaluating the overall financial statement presentation.

lined in note 2 to the financial statements, administrative expenses, expenses related to ange in the provision for possible losses on assistance and possible payments on es, revenues earned on guarantees, accrued loan interest, and interest and other earned on loans are not reflected in the financial statements of the Fund. Furthermore, nent of cash flows is not provided and payments receivable within one year are not ed and classified as current assets in the financial statements. In addition, these financial statements roposed write-offs of assistance outstanding of $238,825, which, as of June 7, 2005, had not been approved overnor in Council as required under Section 23 of the Provincial Finance Act.

ıpinion, except for the effects, if any, of the failure to record or disclose the matters as described preceding paragraph, these financial statements present fairly, in all material respects, the position of the Fund as at March 31, 2005 and the continuity of fund for the year then ended lance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Nova Scotia
005

INDUSTRIAL EXPANSION FUND

Balance Sheet
March 31, 2005

		2005		2004
				(in thousands)
ASSETS				
l assets, at cost				
ıs - Industrial Development Act	$	70,375	$	49,507
ıs - Venture Corporations Act (Note 4)		809		809
ılty rights (Note 5)		257		276
es (Note 6)		6,632		8,394
		78,073		58,986
: Provision for concessionary assistance (Note 7)		26,450		22,159
Allowance for doubtful accounts		7,745		5,743
		34,195		27,902
		43,878		31,084
ı consolidated fund				
·antees (Note 8)		128,595		158,661
: Provision for payment under guarantees		300		766
		128,295		157,895
ɜtance authorized but unadvanced		10,863		10,321
		139,158		168,216
	$	183,036	$	199,300
Funding Authorized and Committed				
ːed, net of write-offs				
strial Development Act	$	258,239	$	259,881
ure Corporations Act		4,408		4,408
		262,647		264,289
: Provision for concessionary assistance and possible losses on assistance (Note 9).		34,495		28,668
ˈund balance		228,152		235,621
: Uncommitted balance of fund		45,116		36,321
	$	183,036	$	199,300

ːncies (Note 10)

lf of the Fund:

mpanying notes to the financial statements.

Industrial Expansion Fund

Statement of Continuity of Fund
Under the Industrial Development Act

March 31, 2005

	2005	2004
	(in thousands)	
beginning of year	$ 259,881	$ 269,683
Accounts written off	1,642	9,802
end of year	$ 258,239	$ 259,881
ing:		
ıs receivable, shares, rights and other assets	$ 77,264	$ 58,177
antees in effect and utilized.	83,059	136,346
ıs and other investments authorized but unadvanced and arantees in effect but not utilized	56,399	32,636
ommitted balance	41,517	32,722
	$ 258,239	$ 259,881

Statement of Continuity of Fund
Under the Venture Corporations Act

March 31, 2005

	2005	2004
	(in thousands)	
beginning of year	$ 4,408	$ 4,408
Accounts written off	---	---
end of year	$ 4,408	$ 4,408
ing:		
ıs advanced	$ 809	$ 809
ommitted balance	3,599	3,599
	$ 4,408	$ 4,408

mpanying notes to the financial statements.

Industrial Expansion Fund

Notes to the Financial Statements
March 31, 2005

Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province. All assistance provided by the Fund is required to be approved by Order in Council.

Effective November 6, 2001, pursuant to Order in Council 2001-523, administrative responsibility for the Industrial Expansion Fund was assigned to Nova Scotia Business Inc., a corporation formed under the Nova Scotia Business Incorporated Act. The Fund's account and assistance management activities are performed by staff of the Office of Economic Development.

Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles modified by paragraphs (a), (b), and (c) below.

Administrative Expenses and Interest Revenue

a) Administrative expenses of the Fund and expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares included in the accounts of the Department of Finance and are not reflected in the financial statements..

Statement of Cash Flows

b) A statement of cash flows is not provided since disclosure in the statements of continuity of the funds and the balance sheet are considered adequate.

Current assets

c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Provision for Concessionary Assistance

d) The Fund provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for Doubtful Accounts

e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

Royalty rights

f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

Use of estimates

g) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair values of financial instruments

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies. Due to the limited amount of comparable market information available it is not practical to determine the fair value of these assets.

Venture Corporation Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year no payments (2004 - NIL) were received.

	2005	2004
	(in thousands)	
Loans made to venture corporations	$ 809	$ 809
Less: Allowance for doubtful accounts	809	809
	$ ---	$ ---

Royalty rights

Certain investments of the Fund are royalty agreements that provide a return in the form of royalty payments. The royalty payments are based upon net sales of the companies.

Shares

	2005	2004
	(in thousands)	
Preferred shares	$ 3,000	$ 4,762
Common shares	3,632	3,632
	$ 6,632	$ 8,394

Shares are recorded at cost. Any provision for the decline of fair market value below the cost of shares has been included in the allowance for doubtful accounts.

Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance through the Fund include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of loans and shares is as follows:

	2005			2004
		(in thousands)		
	Assistance Outstanding	Provision for Concessionary Assistance	Net Book Value	Net Book Value
Loans	$ 35,760	$ 26,450	$ 9,310	$ 8,530
Shares	---	---	---	1,863
	$ 35,760	$ 26,450	$ 9,310	$ 10,393

Guarantees

	2005	2004
	(in thousands)	
Guarantee - in effect and utilized	$ 83,059	$ 136,346
Guarantee - in effect but not utilized	45,536	22,315
	$ 128,595	$ 158,661

During the year, one guarantee of $566,000 was paid out (2004 - $900,000).

Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

		2005		2004
		(in thousands)		
Balance, beginning of year	$	28,668	$	33,945
Add current year provision		7,469		4,525
Less accounts written off		1,642		9,802
Balance, end of year	$	34,495	$	28,668

Contingencies

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

Related party transactions

The Fund had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

a) The Industrial Expansion Fund provided a guarantee in the amount of $20,400,000 to the Nova Scotia Government Fund. At March 31, 2005, the Nova Scotia Government Fund had utilized $9,000,000 (2004 - $18,200,000) in accordance with this guarantee. The guarantee has been provided on terms and conditions that would be similar to those of non-related parties.

b) The Fund enters into transactions with other government departments, agencies and corporations in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

Credit risk

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Fund regularly monitors entities to whom financial assistance has been provided. In addition to its regular monitoring procedures, at year-end, management performed an analysis of a number of accounts in order to assess the Fund's total exposure to credit and other risks. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the financial assistance, or the last analysis. Changes in risk are reflected in the carrying value of the assistance via the provision for concessionary assistance, the allowance for doubtful accounts and the provision for payment under guarantees.

AUDITORS' REPORT

To the Minister of Health

We have audited the statement of financial position of the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2005, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department of Health'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 Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 20, 2005

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Operations
Year Ended March 31, 2005

	2005	2004
Revenue		
Seniors		
Premiums paid by seniors (Note 2)	$ 16,643,319	$ 14,030,479
Co-payments to pharmacies	23,844,219	23,168,233
	40,487,538	37,198,712
Department of Health	105,309,772	96,473,925
Investment Income	289,810	289,368
	146,087,120	133,962,005
Expenses		
Provider claims (Note 2)	146,087,120	133,962,005
Excess of revenue over expenses	$ ---	$ ---

Statement of Financial Position
March 31, 2005

	2005	2004
ASSETS		
Receivables		
Seniors	$ 427,425	$ 252,338
Department of Health (Note 3)	2,527,249	---
Publicly funded nursing homes	1,720,542	1,703,802
Other	174,547	29,475
Investments (Note 2)	3,191,680	5,392,311
	$ 8,041,443	$ 7,377,926
LIABILITIES		
Bank indebtedness	$ 3,468,557	$ 3,066,684
Payables and accruals	2,508,054	1,447,268
Payable to Department of Health (Note 3)	---	387,138
Unearned premiums	2,064,832	2,476,836
	$ 8,041,443	$ 7,377,926

See accompanying notes to the financial statements.

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	$ ---	$ ---
Changes in non-cash operating working capital		
Receivables	(336,899)	120,868
Payables and accruals	1,060,786	(4,227,111)
Unearned premiums	(412,004)	(5,913,606)
	311,883	(10,019,849)
Financing		
Expenses in excess of advances from Department of Health	(2,914,387)	(781,925)
Investing		
Proceeds on sale of investments, net	2,200,631	301,077
Net decrease in cash and cash equivalents	(401,873)	(10,500,697)
Cash and cash equivalents		
Beginning of year	(3,066,684)	7,434,013
End of year	$ (3,468,557)	$ (3,066,684)

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2005

1. Purpose of organization

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-in-council 2000-471 effective April 11, 2000. Contributions made by seniors and government of Nova Scotia are placed in the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund (the Fund) and are used to pay Seniors' Pharmacare program costs. Principle features of the Pharmacare program are:

- Participation in the Pharmacare program is optional. Eligible seniors must be 65 years of age and not already have coverage under government programs or primary drug coverage through a contract of insurance.

- Eligible seniors are required to pay a maximum annual premium of $390 plus a co-payment fee of 33% of prescription costs to a maximum of $30 for each drug or supply (effective April 1, 2004) to a maximum of $350 per year. Annual premiums are waived for low-income seniors.

- The Department of Health is responsible for funding program costs net of recoveries from seniors and other income.

2. Summary of significant accounting policies

Premium revenues
Premium revenues are recorded on the accrual basis.

Claim expenses
Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of program
Atlantic Blue Cross Care administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks, net of indebtedness and short term deposits with original maturities of three months or less.

Investments
Investments consist of government and corporate bonds, and short term investments. All investments are carried at cost which approximates market value.

Investments have a 0% coupon rate and mature on April 1, 2005 and April 15, 2005 respectively.

Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those reported.

Financial instruments

The Fund's financial instruments consist of cash and cash equivalents, receivables, investments, and payables and accruals. Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. Receivable from (payable to) the Department of Health

This amount consists primarily of (excess) deficiency of funding from the Department of Health at year end as follows:

	2005	2004
Payable to Department of Health, beginning of year	$ (387,138)	$ (1,169,063)
Payments from Department of Health	(102,395,385)	(95,692,000)
Net program expenses	105,309,772	96,473,925
Receivable from (payable to) Department of Health, end of year	$ 2,527,249	$ (387,138)

AUDITORS' REPORT

To the Board of The Izaak Walton Killam Health Centre

We have audited the balance sheet of The Izaak Walton Killam Health Centre as at March 31, 2005 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre'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 Health Centre as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 17, 2005

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Operations
Year Ended March 31, 2005

	2005	2004
Revenue		
Inpatient, outpatient and clinics. . . . .$	129,499,000 $	122,140,000
Department of Community Services.	2,471,000	2,485,000
Rentals, recoveries and sales	5,787,000	5,957,000
Mental health.	10,654,000	8,822,000
Grants from Health Centre Foundations.	150,000	150,000
	148,561,000	139,554,000
Expenses		
Children's health.	43,196,000	40,997,000
Women's and newborn health.	34,391,000	33,215,000
Child and adolescent mental health	13,016,000	10,808,000
Professional and academic.	4,717,000	4,424,000
Operations and support services.	48,791,000	46,339,000
Executive offices and administration	1,032,000	1,002,000
Non portable	1,120,000	1,098,000
	146,263,000	137,883,000
Net income from operations . . . . $	2,298,000 $	1,671,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Balance Sheet
March 31, 2005

	2005	2004
ASSETS		
Current		
Cash and cash equivalents	$ 28,616,000	$ 23,164,000
Receivables (Note 3)	11,002,000	10,555,000
Receivable from the Health Centre Foundations	---	14,000
Inventories	1,107,000	1,220,000
Prepaids	897,000	768,000
	41,622,000	35,721,000
Retirement allowance receivable (Note 9)	9,968,000	9,138,000
Property and equipment (Note 4)	120,507,000	116,752,000
	$ 172,097,000	$ 161,611,000
LIABILITIES		
Current		
Payables and accruals (Note 5)	$ 19,305,000	$ 18,641,000
Payable to the Health Centre Foundations	60,000	---
Deferred revenue - DOH advance	5,280,000	5,084,000
Current portion of facilities loan payable (Note 7)	473,000	446,000
	25,118,000	24,171,000
Retirement allowances (Note 9)	9,968,000	9,138,000
Facilities loan payable (Note 7)	14,973,000	15,446,000
Appropriations and reserves (Note 8)	16,816,000	6,464,000
	66,875,000	55,219,000
FUND BALANCES (Page 226)		
Capital Fund	105,222,000	106,392,000
	$ 172,097,000	$ 161,611,000

Contingency (Note 13)

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Fund Balances
Year Ended March 31, 2005

	2005	2004
Capital Fund		
Balance, beginning of year	$ 106,392,000	$ 106,195,000
Funding for capital additions		
Specified donations for equipment and renovations	29,000	364,000
Transfers from operations	2,298,000	1,671,000
Transfer from appropriations and reserves	4,035,000	5,722,000
	6,362,000	7,757,000
Depreciation	(7,532,000)	(7,560,000)
Balance, end of year	$ 105,222,000	$ 106,392,000
Operating Fund		
Balance, beginning of year	$ ---	$ ---
Net income from operations	2,298,000	1,671,000
Transfer to Capital Fund	(2,298,000)	(1,671,000)
Balance, end of year	$ ---	$ ---

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net income from operations	$ 2,298,000	$ 1,671,000
Change in non-cash operating working capital (Note 11)	10,734,000	2,886,000
	13,032,000	4,557,000
Financing		
Proceeds received on facilities loan payable	---	16,000,000
Principal repayments on facilities loan payable	(446,000)	(108,000)
Specified donations for equipment and renovations	29,000	364,000
Transfers from appropriations and reserves	4,035,000	5,722,000
	3,618,000	21,978,000
Investing		
Purchase of property and equipment	(11,287,000)	(16,564,000)
Employee advances	89,000	160,000
	(11,198,000)	(16,404,000)
Net increase in cash and cash equivalents	5,452,000	10,131,000
Cash and cash equivalents		
Beginning of year	23,164,000	13,033,000
End of year	$ 28,616,000	$ 23,164,000

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2005

1. Purpose of Organization

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

The IWK Health Centre is a charitable organization under the Income Tax Act.

2. Summary of significant accounting policies

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and a promissory note with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories
Inventories are valued at the lower of cost and replacement cost.

Property and equipment
Property and equipment assets are stated at cost. Amortization is provided on the straight-line basis over the expected useful life of the asset:

Buildings and service equipment	2% to 5%
Major equipment	5% to 20%

Amortization on equipment purchased commences in the year after acquisition. Amortization on capital projects and renovations commences in the year after the asset is ready for use.

Appropriations and reserves
Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

Donations
Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

Employee benefits
The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

Financial instruments

The Health Centre's financial instruments consist of cash, receivables, payables and accruals, facilities loan payable, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

3. Receivables

	2005	2004
Patients and other accounts receivable, net of allowance for doubtful accounts of $231,000 (2004 - $175,000)	$ 4,988,000	$ 5,207,000
Nova Scotia Department of Health year end adjustments	6,014,000	5,348,000
	$ 11,002,000	$ 10,555,000

Year end adjustments are comprised of:

Accumulated deficit 1998/1999	908,000
Capital grants	1,310,000
Contract increases	2,398,000
Incremental Physician Support Funding	581,000
Provincial help desk	293,000
Provincial HIS project	316,000
On call funding	100,000
NS Nursing Strategy	58,000
Other	50,000
	$ 6,014,000

Of the total receivable from the Nova Scotia Department of Health, as of April 2005, $1,518,000 has been received.

4. Property and equipment

	Cost	Accumulated Depreciation	2005 Net Book Value	2004 Net Book Value
Land	$ 4,598,000	$ ---	$ 4,598,000	$ 4,598,000
Building and service equipment	132,135,000	31,141,000	100,994,000	96,065,000
Major equipment	29,427,000	14,636,000	14,791,000	15,955,000
Group home	206,000	82,000	124,000	134,000
	$ 166,366,000	$ 45,859,000	$ 120,507,000	$ 116,752,000

5. Payables and accruals

	2005	2004
Trade payables	$ 7,448,000	$ 8,138,000
Accrued salaries and benefits	7,653,000	6,177,000
Funds held on behalf of others	4,204,000	4,326,000
	$ 19,305,000	$ 18,641,000

6. Credit facility

The Health Centre has been approved for a line of credit of $2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2004 - $Nil). Any outstanding amount is repayable on demand and bears interest at prime plus 3/4%.

7. Facilities loan payable

	2005	2004
Nova Scotia Department of Finance loan repayable in equal quarterly instalments of $338,133 at an interest rate of 5.76% per annum calculated semi-annually. First installment paid on March 1, 2004, with the final instalment due December 31, 2023.	$ 15,446,000	$ 15,892,000
Less principal amounts payable within one year	(473,000)	(446,000)
	$ 14,973,000	$ 15,446,000

Principal amounts repayable within the next 5 years are as follows:

2006	$ 473,000
2007	501,000
2008	530,000
2009	561,000
2010	595,000

The fair value of the facilities loan payable is not determinable as there are no comparable financial instruments available on the open market.

8. Appropriations and reserves

The following is a summary of the amounts in appropriations and reserves:

	2005	2004
Capital		
Equipment	$ 272,000	$ 329,000
Pediatric site redevelopment	10,177,000	---
Capital campaign equipment	---	64,000
Capital campaign construction	2,275,000	1,978,000
Capital campaign undecided	78,000	63,000
	12,802,000	2,434,000
Board fellowship	347,000	372,000
Neonatal fellowship	51,000	45,000
Research funds	3,616,000	3,613,000
	$ 16,816,000	$ 6,464,000

The following is a summary of the continuity of appropriations and reserves:

Balance, beginning of year	$ 6,464,000	$ 5,304,000
Grants from Health Centre Charitable Foundations	1,250,000	1,650,000
Department of Health funding	10,242,000	3,920,000
Research funding	5,175,000	4,656,000
Capital campaign fund	729,000	1,316,000
Other funding	2,748,000	576,000
	20,144,000	12,118,000
Transfer to capital fund	(4,035,000)	(5,722,000)
Disbursements		
Research	(5,172,000)	(4,685,000)
Other	(585,000)	(551,000)
	(9,792,000)	(10,958,000)
Balance, end of year	$ 16,816,000	$ 6,464,000

9. Retirement allowances

The Health Centre maintains a non-contributory retirement allowance program offered to employees. The most recent actuarial valuation was conducted as at December 31, 2003. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

Information about the retirement allowance is as follows:

	2005	2004
Accrued benefit obligation		
Balance, beginning of year	$ 9,138,000	$ 7,439,000
Current service cost	669,000	645,000
Plan amendment	---	788,000
Interest cost	576,000	545,000
Amortization of experience gains/losses	35,000	3,000
Benefits paid	(450,000)	(282,000)
Balance, end of year	$ 9,968,000	$ 9,138,000
Funded status - plan deficit	$ (10,207,000)	$ (9,580,000)
Unamortized net actuarial loss	239,000	442,000
Accrued benefit liability recognized	$ (9,968,000)	$ (9,138,000)

The Health Centre's net expense for the retirement allowance is as follows:

Retirement allowance	$ 1,280,000	$ 1,981,000

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2005:

Discount rate	6.05%
Rate of compensation increase	3.40 - 5.90%
Termination rates	1.2 - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1994 were utilized.

10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2003 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to $5,538,000 (2004 - $5,210,000).

11. Supplement cash flow information

	2005	2004
Change in non-cash operating working capital:		
Receivables	$ (536,000)	$ (378,000)
Receivable from Health Centre Foundations	14,000	347,000
Inventories	113,000	(135,000)
Prepaids	(129,000)	46,000
Payables and accruals.	664,000	1,459,000
Payable to Health Centre Foundations.	60,000	---
Deferred revenue	196,000	387,000
Appropriations and reserves, net	10,352,000	1,160,000
	$ 10,734,000	$ 2,886,000
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 28,616,000	$ 13,081,000
Promissory note receivable	---	10,083,000
	$ 28,616,000	$ 23,164,000

Included in cash and cash equivalents is $1,323,000 (2004 - $5,784,000) in cash which is restricted for use towards the construction of a parkade and research facility.

12. Related party transactions

The Health Centre relies upon the IWK Health Centre Foundation to raise monies to assist them with the funding of research, capital renovations, capital equipment and specific programs not funded by the Department of Health. Funding received was allocated as follows:

	2005	2004
Capital equipment	$ 1,000,000	$ 1,000,000
Capital renovations	250,000	400,000
Research	1,200,000	1,200,000
Fellowships	400,000	300,000
Operating programs	150,000	100,000
Total grant from Foundations	3,000,000	3,000,000
Specified fund allocations	5,089,000	3,006,000
Total funds received	$ 8,089,000	$ 6,006,000

13. Contingency

The Health Centre has been named as a defendant in a legal action relating to malpractice. Councel is unable to form an opinion regarding the merit of this claim, and therefore it is not possible to estimate a payment amount, if any. However, management is of the opinion that any payment that may arise from this claim would be funded entirely by the liability insurance carrier.

14. Comparative figures

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

Unaudited

LAW REFORM COMMISSION OF NOVA SCOTIA

Balance Sheet
as at March 31, 2005

ASSETS

Current Assets		
Petty Cash		$ 25.00
Bank Operating Account	17,027.08	
Cashable GICS	125,000.00	
T-Bill Account	---	
Total Cash		142,027.08
HST Receivable		4,529.65
GST Receivable.		37.83
Total Current Assets		146,619.56
Fixed Assets		
Computer Equipment	19,059.16	
Accum Computer Equipment	(19,059.16)	
Net Office Equipment.		---
Total Fixed Assets		---
Total Assets		$ 146,619.56

LIABILITIES

Current Liabilities		
Accrued Salary		$ 7,502.88
UIC Payable.	---	
CPP Payable	---	
Income Tax Payable	---	
Receiver General Payable		---
Accrued income		125,000.00
Total Current Liabilities		132,502.88
Total Liabilities		$ 132,502.88

EQUITY

Surplus		
Surplus Beginning of Year		33,183.37
Surplus Current Year		(19,066.69)
Accumulated Surplus		14,116.68
Total Equity		14,116.68
Liabilities and Equity		$ 146,619.56

Unaudited

LAW REFORM COMMISSION OF NOVA SCOTIA

Income Statement
as at March 31, 2005

Revenue		
Operating Income		
Dept. of Justice		$ 130,075.00
NS Law Foundation Contrib.		125,000.00
Interest Income.		1,013.21
Miscellaneous Income.		30.42
PYS (DO NOT USE).		---
Total Contributions		256,118.63
Total Revenue		256,118.63
EXPENSES		
Administrative Expenses		
Wages	178,328.20	
EI Expense	3,094.22	
CPP Expense.	5,186.00	
Group Insurance Expense	8,594.22	
Total Personnel Related		195,202.64
Advertising.		2,664.20
Non Legal Consultants Fees		---
Commissioners Fees & Expenses		619.45
Electrical Expense.		1,003.99
Meeting Costs		354.77
Library		3,802.06
Accounting Fees		112.50
Membership Dues		1,445.82
Professional Fees		2,580.00
Computer Software/Supplies/Repairs		1,351.32
Internet		2,014.40
Staff Expenses		1,830.69
Rent	24,425.16	
Office Equipment Rental	3,267.08	
Insurance	1,135.00	
Total Premises Related		28,827.24
Office Supplies	1,913.43	
Parking	273.05	
Photocopy/Printing	4,878.86	
Postage & Courier.	1,888.78	
Telephone Expense	2,890.36	
Travel/Conference/Workshop.	10,343.39	
Office Equip Maintenance.	107.45	
Total Office Related		22,295.32
Bank Charges		262.82
Miscellaneous.		516.92
HST Paid on Purchases		4,528.45
GST Paid on Purchases		42.73
HST Expense		---
Contract Research		5,730.00
Total Administration		275,185.32
Total Expense		275,185.32
Net Income		$ (19,066.69)

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the statement of net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2005, and the statements of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2005 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 24, 2005

PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT

Statement of Net Assets Available for Benefits
and Accrued Pension Benefits
as at March 31, 2005

	2005	2004
NET ASSETS AVAILABLE FOR BENEFITS		
Receivable from the Consolidated Fund		
Members' Retiring Allowance Account	$ 17,040,498	$ 16,566,108
Less: Accounts payable and accruals	3,087	3,200
	17,037,411	16,562,908
Members' Supplementary Retiring Allowance Account	46,445,162	45,151,684
Less: Accounts payable and accruals	8,413	4,800
	46,436,749	45,146,884
	$ 63,474,160	$ 61,709,792
ACCRUED PENSION BENEFITS OBLIGATIONS		
Members' Retiring Allowance Account (Note 3)	$ 17,037,411	$ 16,562,908
Members' Supplementary Retiring Allowance Account (Note 3)	46,436,749	45,146,884
	$ 63,474,160	$ 61,709,792

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT

Statement of Changes in Net Assets Available for Benefits in the Members' Retiring Allowance Account for the year ended March 31, 2005

	2005	2004
Increase in Assets		
Interest	$ 1,389,432	$ 1,410,645
Contributions		
Members' - matched	255,969	242,924
Government - matched	255,969	242,924
Members' - unmatched	1,910	7,522
Government - unmatched	177,561	165,442
Total increase in assets	2,080,841	2,069,457
Decrease in Assets		
Allowances (pensions)	870,695	879,631
Refunds - contributions and interest	9,750	24,337
Professional services	4,740	27,970
Total decrease in assets	885,185	931,938
Increase in Net Assets before Actuarial Adjustment	1,195,656	1,137,519
Actuarial adjustment (Note 3)	(721,153)	(1,389,447)
Increase (decrease) in Net Assets after Actuarial Adjustment	474,503	(251,928)
Net Assets Available for Benefits at Beginning of Year	16,562,908	16,814,836
Net Assets Available for Benefits at End of Year	$ 17,037,411	$ 16,562,908

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT

Statement of Changes in Net Assets Available for Benefits
in the Members' Supplementary Retiring Allowance Account
for the year ended March 31, 2005

	2005	2004
Increase in Assets		
Interest	$ 3,787,291	$ 3,772,804
Contributions		
Members' - matched	85,495	84,839
Government - matched	85,495	84,839
Members' - unmatched	5,206	20,132
Government - unmatched	1,598,052	1,542,203
Total increase in assets	5,561,539	5,504,817
Decrease in Assets		
Allowances (pensions)	2,373,324	2,261,908
Refunds - contributions and interest	26,577	62,582
Professional services	12,920	41,954
Total decrease in assets	2,412,821	2,366,444
Increase in Net Assets before Actuarial Adjustment	3,148,718	3,138,373
Actuarial adjustment (Note 3)	(1,858,853)	(2,993,240)
Increase in Net Assets after Actuarial Adjustment	1,289,865	145,133
Net Assets Available for Benefits at Beginning of Year	45,146,884	45,001,751
Net Assets Available for Benefits at End of Year	$ 46,436,749	$ 45,146,884

See accompanying notes to financial statements

PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT

Notes to Financial Statements
for the year ended March 31, 2005

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account (a registered pension plan under the Income Tax Act) and a Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account, and 10% of allowances to the Members' Supplementary Retiring Allowance Account. The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the last three years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 Members of the Legislative Assembly. At year end, 50 were contributors to the accounts and of the remaining members, one had reached the 15 year maximum contributory service and one seat was vacant. There are also 101 allowances in pay at March 31, 2005 to former Members of the Legislative Assembly, surviving spouses and/or dependant children.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

(b) Contributions

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

(c) Benefits

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(d) Use of Estimates

In preparing these financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expense and related disclosures. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from those estimates.

3. Accrued Pension Benefit Obligations

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Ltd., performed a valuation as at December 31, 2003 and issued their report in March 2004. An extrapolation of the December 31, 2003 valuation was performed as of March 31, 2005. The results of the valuation and related extrapolation are summarised as follows:

	Extrapolation March 31, 2005	Valuation December 31, 2003
Members' Retiring Allowance Account	$ 17,037,411	$ 16,361,900
Members' Supplementary Retiring Allowance Account	$ 46,436,749	$ 44,604,400

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

	Extrapolation March 31, 2005	Valuation December 31, 2003
Members' Retiring Allowance Account	$ (721,153)	$ (1,347,500)
Members' Supplementary Retiring Allowance Account	$ (1,858,853)	$ (2,854,000)

Reconcilliation of changes in accrued pension benefits obligations for the Members' Retiring Allowance Account:

		2005		2004
Accrued pension benefits obligations at beginning of year	$	16,562,908	$	16,814,832
Impact of changes in assumptions		(268,919)		---
Current service cost		645,123		651,290
Benefits paid		(880,445)		(879,631)
Interest on average accrued pension benefits obligations		978,744		1,030,536
Impact of change in benefits		---		246,619
Experience gain		---		(1,300,738)
Accrued pension benefits obligations at beginning of year	$	17,037,411	$	16,562,908

Reconcilliation of changes in accrued pension benefits obligations for the Members' Supplementary Retiring Allowance Account:

		2005		2004
Accrued pension benefits obligations at beginning of year	$	45,146,884	$	45,001,755
Impact of changes in assumptions		(733,017)		---
Current service cost		1,754,939		1,711,881
Benefits paid		(2,399,901)		(2,261,908)
Interest on average accrued pension benefits obligations		2,667,844		2,759,894
Impact of change in benefits		---		672,231
Experience gain		---		(2,736,969)
Accrued pension benefits obligations at beginning of year	$	46,436,749	$	45,146,884

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three year average indemnity, expense allowance and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation are as follows:

	Extrapolation March 31, 2005	Valuation December 31, 2003
Investment earnings		
- pre retirement rate	6.05%	6.17%
- post retirement rate (Net of assumed pensioner cost-of-living increases per annum)	3.21%	3.08%
Salary escalation	2.75%	3.0%
Cost of living	2.75%	3.0%

	Extrapolation March 31, 2005	Valuation December 31, 2003
Average retirement age	i) Age 55 if current age <51.25 ii) Current age +4.25 if 51.25 < current age <58.25 iii) Later of current age + .25 or 5 years of service if current age >58.25	i) Age 55 if current age <50 ii) Current age +5.5 if 50< current age <57 iii) Later of current age +1.5 or 5 years of service if current age >57
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1994 Group Annuitant Mortality Table projected to 2000

AUDITOR'S REPORT TO THE DIRECTORS

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2005 and the statements of revenue, expenditures 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
May 27, 2005

NOVA SCOTIA BUSINESS INCORPORATED

Balance Sheet
March 31, 2005, with comparative figures for 2004

ASSETS

		2005		2004
		(in thousands)		
Current assets:				
Cash	$	15,118	$	13,043
Accrued interest receivable		521		560
Due from the Province of Nova Scotia		11,576		9,236
Current portion of loans receivable (note 3)		10,892		12,780
Other receivables		572		688
		38,679		36,307
Nova Scotia Business Fund assets:				
Loans receivable (notes 3 and 7)		95,177		99,759
Equity investments (notes 4 and 7)		10,382		9,689
Industrial Parks and malls (note 5)		4,393		4,823
Other assets (notes 6 and 7)		110		111
		110,062		114,382
	$	148,741	$	150,689

LIABILITIES and SHAREHOLDER'S EQUITY

		2005		2004
Current liabilities:				
Accounts payable and accrued liabilities	$	13,687	$	18,193
Provision for payment of guarantees (note 7)		2,077		1,990
Principal due within one year to the Province of Nova Scotia (note 8)		11,736		12,481
		27,500		32,664
Long-term debt:				
Due to the Province of Nova Scotia (note 8)		104,810		104,756
Shareholder's equity:				
Share capital and retained earnings (note 9)		16,431		13,269
Commitments (note 10)				
Contingencies (note 11)				
	$	148,741	$	150,689

See accompanying notes to financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Revenue, Expenditures and Retained Earnings
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	(in thousands)	
Revenue:		
Provincial grants:		
Operating grant	$ 7,200	$ 6,815
Strategic investment grant	11,169	17,184
Valuation allowance grant	1,600	2,000
Interest on loans receivable	8,719	9,165
Other investment income	322	2,083
Gain on sale of land/property	568	764
Miscellaneous	1,106	464
	30,684	38,475
Expenses:		
Schedule of Operating expenses	7,282	6,815
Strategic investments	11,169	17,184
Provision for credit losses and payment of guarantees	1,263	2,001
Schedule of Nova Scotia Business Fund Expenses	7,808	9,447
	27,522	35,447
Excess of revenue over expenditures	3,162	3,028
Retained earnings, beginning of year	13,269	10,241
Retained earnings, end of year	$ 16,431	$ 13,269

See accompanying notes to financial statements.

NOVA SCOTIA BUSINESS INCORPORATED

Statement of Cash Flows
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	(in thousands)	
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 3,162	$ 3,028
Items not involving cash:		
Amortization	229	239
Provision for credit losses and payments of guarantees	1,263	2,001
Capitalized interest on loans receivable	(1,953)	(1,482)
Gain on sale of land/property	(568)	(764)
Change in non-cash operating working capital:		
Decrease in accrued interest receivable	39	232
Increase in due from Province of Nova Scotia	(2,340)	(582)
Decrease (increase) in other receivables	116	(126)
Increase (decrease) in accounts payable and accrued liabilities	(4,506)	7,288
	(4,558)	9,834
Financing:		
New borrowings from the Province of Nova Scotia	11,697	3,360
Principal repayments to the Province of Nova Scotia	(12,388)	(13,522)
	(691)	(10,162)
Investments:		
Loan advances	(3,494)	(9,588)
Principal received on loans	13,399	16,088
Redemption of shares	104	105
Issue of convertible debentures	(3,475)	(2,900)
Proceeds from disposal of Industrial Parks	939	764
Capital additions	(170)	(348)
Other	21	7
	7,324	4,128
Increase in cash	2,075	3,800
Cash, beginning of year	13,043	9,243
Cash, end of year	$ 15,118	$ 13,043

See accompanying notes to financial statements.

Notes to Financial Statements
Year ended March 31, 2005

Nova Scotia Business Incorporated (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

1. Summary of significant accounting policies:

(a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

(b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential declines in value - if a decline is considered to be other than temporary, a specific allowance is recorded.

(c) Industrial parks and malls:

The industrial parks and malls consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves and utilitities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Basis	Rate
Land improvements	Declining balance	5%
Industrial malls and other buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	15%

The Department of Transportation and Public Works has operational responsibility for the industrial parks and malls. Certain revenues and expenses associated with the operation of the industrial parks and malls are accounted for by the Department of Transportation and Public Works are not reflected in these financial statements.

(d) Other assets:

Other assets are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(e) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears.

(f) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. In addition, the Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(g) Employee future benefits:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis. The liability for the period prior to NSBI's inception, is recorded on the financial statements of the Province of Nova Scotia.

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Fair value of financial instruments:

The carrying value of cash, accrued interest receivable, other receivables, due from the Province of Nova Scotia and accounts payable and accrued liabilities approximate their fair value because of their short-term to maturity.

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments in and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available, it was not practical to determine the fair value of these assets.

Due to the Province of Nova Scotia is comprised of a series of separate notes, the largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by the notes and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia.

3. Loans receivable:

	2005	2004
	(in thousands)	
(a) Principal due		
Performing loans	$ 119,389	$ 124,003
Imparied loans	33,332	38,278
	152,721	162,281
Allowance for credit losses (note 7)	46,652	49,742
	106,069	112,539
Less current portion	10,892	12,780
	$ 95,177	$ 99,759

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of $614 (2004 - $775) and concessionary allowance of $136 (2004 - $194). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(b) Principal payments receivable in each of the next five years are as follows:

2006	$	10,892
2007		8,439
2008		7,337
2009		6,588
2010		4,636

4. Equity investments:

	2005	2004
	(in thousands)	
Common shares	$ 4,434	$ 3,092
Preferred shares	6,592	6,696
Convertible debentures	6,486	4,150
	17,512	13,938
Allowance for credit losses (note 7)	7,130	4,249
	$ 10,382	$ 9,689

One of the convertible debentures, valued at $1 million, matured before year-end. No action has been taken by the Corporation to demand repayment or to exercise the conversion options inherent in the debenture. Management is negotiating with the company to extend the maturity date.

5. Industrial parks and malls:

	2005			2004
			(in thousands)	
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 268	$ ---	$ 268	$ 268
Land improvements	1,089	295	794	703
Industrial malls and other buildings	4,866	2,643	2,223	2,705
Utilities	872	329	543	552
Wharves	1,593	1,028	565	595
	$ 8,688	$ 4,295	$ 4,393	$ 4,823

6. Other assets:

	2005	2004
	(in thousands)	
Property acquired through foreclosure, at cost	$ 938	$ 959
Less allowance for losses (note 7)	828	848
	$ 110	$ 111

7. Allowance for credit losses and provision for payment of guarantees:

2005
(in thousands)

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
Loans receivable (note 3)	$ 152,721	$ 41,582	$ 5,070	$ 46,652	$ 106,069
Equity investments (note 4)	17,512	6,302	828	7,130	10,382
Guarantees (note 11)	2,823	2,077	---	2,077	746
Other assets (note 6)	938	822	6	828	110
	$ 173,994	$ 50,783	$ 5,904	$ 56,687	$ 117,307

2004
(in thousands)

	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
Loans receivable (note 3)	$ 162,281	$ 44,319	$ 5,423	$ 49,742	$ 112,539
Equity investments (note 4)	13,938	3,173	1,076	4,249	9,689
Guarantees (note 11)	2,605	1,922	68	1,990	615
Other assets (note 6)	959	842	6	848	111
	$ 179,783	$ 50,256	$ 6,573	$ 56,829	$ 122,954

8. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	2005			2004
			(in thousands)	
	Year of maturity	Weighted average interest rate	Principal outstanding	Principal outstanding
Note payable 2002-01	2017	---	$ 67,844	$ 78,137
Note payable 2002-02	2021	6.45%	39,031	32,975
Note payable 2003-01	2008	4.85%	2,687	2,869
Note payable 2003-02	2008	4.53%	439	634
Note payable 2003-03	2012	5.02%	322	385
Note payable 2003-04	2014	5.35%	1,051	1,177
Note payable 2003-05	2011	5.44%	1,119	1,060
Note payable 2004-01	2017	4.61%	3,598	---
Note payable 2004-02	2015	4.52%	455	---
			116,546	117,237
Less principal due within one year			11,736	12,481
			$ 104,810	$ 104,756

The principal for note 2002-01 is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on the maturity dates and rates set out above.

(b) Principal payments due in each of the next five years are as follows:

2006	$	11,736
2007		10,711
2008		10,259
2009		9,669
2010		7,795

9. Share capital:

The Corporation has authorized 100 Class A common shares with a par value of $1 each. At year end, 100 common shares have been issued to the Province of Nova Scotia.

10. Commitments:

(a) The Corporation has approved financing of $7,983 for NSBI and $307 for NSBDC portfolios (2004 - $7,064 and $3,630 respectively) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2005, transactions were approved with maximum annual payments over the next seven years of $91.8 million (2004 - $78.6 million) as shown below.

2006	$	21,399
2007		22,594
2008		19,823
2009		12,017
2010		12,461
2011		3,020
2012		510
	$	91,824

(c) In one of the Industrial Parks owned by the corporation, a sewage treatment plant is in operation. The plant operates under license from the Department of Environment and Labour and does not meet current discharge standards. Management estimates an upgrade costing approximately $1.5 million is required in order to meet environmental standards.

11. Contingencies:

(a) Guarantees:

	2005 Authorized	2005 Utilized	2004 Utilized
	(in thousands)		
Bank loans	$ 2,900	$ 2,823	$ 2,605
Less provision for payment (note 7)		2,077	1,990
		$ 746	$ 615

Bank loan guarantees issued in the amount of $323 (2004 - $445) were demanded by the bank before year-end. These guarantees had a provision for payment of $200 (2004 - $85) recorded in the year against them.

Included in the bank loan guarantees is a guarantee to a US bank in the Canadian dollar amount of $nil (2004 - $1,877).

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

12. Nova Scotia Business Fund:

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated and investments have been transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

	2005	**2004**
	(in thousands)	
Assets:		
Nova Scotia Business Incorporated portfolio	$ 20,184	$ 13,900
Loan guarantees (note 11)	2,500	---
Less allowance for credit losses	8,257	1,984
	14,427	11,916
Financing authorized but unadvanced (note 10)	7,983	7,064
	22,410	18,980
Nova Scotia Business Development Corporation portfolio	155,380	168,100
Loan guarantees (note 11)	323	2,605
Less allowance for credit losses	48,430	54,845
	107,273	115,860
Financing authorized but unadvanced (note 11)	307	3,630
	107,580	119,490
	$ 129,990	$ 138,470
Funding authorized and committed:		
Fund balance authorized, net of write offs	$ 270,187	$ 271,592
Less uncommitted balance of fund	83,510	76,293
Committed fund balance	186,677	195,299
Less allowance for credit losses and payment of guarantees	56,687	56,829
	$ 129,990	$ 138,470

13. Credit risk and interest risk:

(a) Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before a loan is approved, a risk assessment is performed on the client. Each loan is designated a risk rating based on the industry and business, quality of management, financial history and projections, other investors' level of financial involvement, ability of the client to access funds elsewhere, and any environmental risks. Applications with a high risk rating would warrant a higher interest rate or would not be approved if the level of risk is deemed unacceptable.

Clients are limited to a total of $15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Two clients currently exceed this total; their loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately $46 million and $23 million, respectively (2002 - $46 million and $21 million).

In addition to its regular monitoring procedures, at year-end, management performed an in-depth analysis of all accounts in order to assess the Corporation's total exposure to credit and other risk. Factors such as the financial condition of the client were evaluated to determine how risk changed since inception of the loan. Changes in risk are reflected in the carrying value of the loan via the provision for credit losses.

(b) Interest risk:

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical.

14. Taxes:

The Corporation is not subject to provincial or federal taxes.

15. Supplementary cash information:

Cash is defined as cash and short-term investments.

During the year, cash received for interest income was $7,067 (2004 - 9,997) and cash paid for interest was $10,465 (2004 - $1,680).

16. Related party transactions:

Financing has been advanced to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Incorporated at the time of the transactions. These investments totaled $30,243 (2004 - $30,684) and certain of these investments had specific allowances recorded against them totaling $10,286 (2004 - $10,536).

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parites.

17. Employee pension plan:

Employees of the Company participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan, administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2005 were $264 (2004 - $237) and are recognized as an expense in the period. The Company is not responsible for any under-funded liability, nor does the Company have any access to any surplus that may arise in this Plan.

18. Comparative figures

Certain 2004 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

NOVA SCOTIA BUSINESS INCORPORATED

Schedule of Operating Expenses
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	(in thousands)	
Business development	$ 1,124	$ 970
Legal and audit	98	98
Office expenses	242	216
Other	97	102
Salaries and benefits	4,886	4,640
Telecommunications and technical support	333	238
Travel	502	551
	$ 7,282	$ 6,815

Schedule of Nova Scotia Business Fund Expenses
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
	(in thousands)	
Amortization	$ 229	$ 239
Commissions	65	75
Interest	6,955	8,789
Legal	6	24
Repairs and maintenance	553	320
	$ 7,808	$ 9,447

AUDITOR'S REPORT

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2005 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College'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 College as at March 31, 2005 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 3, 2005

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Financial Position
March 31, 2005

ASSETS

		2005		2004
Current				
Cash	$	20,026,937	$	14,786,860
Accounts receivable Note 3)		14,111,624		18,999,597
Inventory		692,154		754,846
Prepaids		488,669		353,050
		35,319,384		34,894,353
Capital assets (Note 4)		5,561,551		5,999,361
Foundation assets (Note 5)		1,094,297		816,828
Pensionable advance (Note 13)		622,404		685,437
	$	42,597,636	$	42,395,979

LIABILITIES

		2005		2004
Current				
Accounts payable and accrued liabilities	$	19,311,274	$	21,035,261
Deferred revenue (Note 6)		6,099,049		6,262,769
		25,410,323		27,298,030
Deferred revenue related to capital assets (Note 7)		4,112,056		3,230,130
Employee future benefit obligation (Note 16)		2,781,000		2,003,990
		32,303,379		32,532,150

Commitments (Note 14)

NET ASSETS

		2005		2004
Invested in capital assets (Note 8)		1,449,495		2,769,231
Unrestricted		3,027,542		1,554,847
Restricted for Foundation Purposes (Note 5)		1,094,297		816,828
Restricted for College Development (Note 12)		4,722,923		4,722,923
		10,294,257		9,863,829
	$	42,597,636	$	42,395,979

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures
Year ended March 31, 2005

		2005		2004
Revenue				
Province of Nova Scotia (Note 9)	$	75,656,000	$	73,687,720
Government of Canada		8,926,750		8,743,000
Tuition and fees		16,746,631		15,395,319
Customized training		10,414,658		11,710,292
Amortization of deferred revenue related to capital assets		1,873,351		1,544,891
Other (Note 10)		16,543,192		14,877,311
		130,160,582		125,958,533
Expenditures				
Salaries and benefits		86,361,441		79,165,729
Operating supplies and services		22,237,872		24,739,382
Equipment, rentals and other administration		9,331,859		11,103,946
Utilities and maintenance		8,308,057		7,158,641
Amortization		3,768,394		3,305,659
		130,007,623		125,473,357
Excess of revenue over expenditures	$	152,959	$	485,176

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows
Year ended March 31, 2005

		2005		2004
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess of revenue over expenditures	$	152,959	$	485,176
Items not affecting cash				
Amortization of deferred revenue related to capital assets		(1,873,351)		(1,544,891)
Amortization		3,768,394		3,305,659
Employee future benefit obligation		777,010		310,008
Changes in non-cash working capital items (Note 11)		2,927,339		(10,292,833)
		5,752,351		(7,736,881)
Investing				
Purchase of capital assets		(3,330,584)		(3,131,974)
Financing				
Pensionable advance		63,033		57,769
Contributions related to capital assets		2,755,277		2,577,035
		2,818,310		2,634,804
Net cash inflow (outflow)		5,240,077		(8,234,051)
Cash position, beginning of year		14,786,860		23,020,911
Cash position, end of year	$	20,026,937	$	14,786,860

NOVA SCOTIA COMMUNITY COLLEGE

Statement of Changes in Net Assets
Year ended March 31, 2005

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 5)	Restricted for College Development (Note 12)	2005 Total	2004 Total
Balance, beginning of year	$ 2,769,231	$ 1,554,847	$ 816,828	$ 4,722,923	$ 9,863,829	$ 9,399,027
Excess (deficiency) of revenue over expenditures	(1,895,043)	2,048,002	---	---	152,959	485,176
Investment in capital assets	575,307	(575,307)	---	---	---	---
Endowment contributions and interest	---	---	795,586	---	795,586	375,695
Endowment disbursements	---	---	(518,117)	---	(518,117)	(396,069)
Balance, end of year	$ 1,449,495	$ 3,027,542	$ 1,094,297	$ 4,722,923	$ 10,294,257	$ 9,863,829

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College ("the College") was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province of Nova Scotia (the "Province"), is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

The College has entered into a consent agreement with the Province that allows the College to construct facilities on land owned by the Province pursuant to the $123 million multi-year infrastructure investment announced by the Province on March 28, 2003. The investment will provide newer facilities, more space and revamped learning and student life areas across the Province. Ownership of the buildings, including the new Metro Campus, will remain with the Province. Costs associated with the project will be managed by the College and flow through a liability account, which is subsequently reimbursed by the Province. The expenditures are netted against the funds receivable from the Province and have no effect on the statement of revenue and expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of Estimates
The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue and expenditures during the year. The accounts most subject to estimation and judgment include allowance for doubtful accounts and accrued liabilities. Actual results may differ from those estimates.

Revenue Recognition
The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Cash
Cash consists of cash on hand and amounts held by financial institutions, upon which interest is paid at commercial rates.

Capital Assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years
Management Information System	5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

Contributed Services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements because of the difficulty in determining the value.

Inventory

Inventory consists of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

3. ACCOUNTS RECEIVABLE

	2005	2004
Organizations	$ 2,319,329	$ 3,211,485
Student fees	2,426,943	2,113,235
Government funding	3,997,750	5,946,343
Development Project	3,006,650	6,301,493
Other	2,248,064	1,084,505
Harmonized Sales Tax	1,056,310	1,175,302
Allowance for doubtful accounts	(943,422)	(832,766)
	$ 14,111,624	$ 18,999,597

4. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 7,696,526	$ 6,722,079	$ 974,447	$ 1,498,872
Furniture and equipment	10,895,544	7,427,583	3,467,961	2,546,788
Leasehold improvements	860,504	429,714	430,790	25,790
Management Information System	6,197,789	5,509,436	688,353	1,927,911
	$ 25,650,363	$ 20,088,812	$ 5,561,551	$ 5,999,361

5. FOUNDATION ASSETS

The Nova Scotia Community College Foundation (the "Foundation") is a non-profit organization controlled by the College. The assets represent donations and related interest restricted for scholarships, awards and other specified purposes. The Foundation works collaboratively with the College and the community to enhance the student experience by developing and implementing a framework to nurture support for current and future needs of the College.

The Foundation has not been consolidated in the College's financial statements. Financial statements of the Foundation are available upon request. Financial summaries as at March 31 and for the years then ended are as follows:

Nova Scotia Community College Foundation

	2005	2004
Financial position		
Total assets	$ 1,269,247	$ 821,553
Total liabilities	174,950	4,725
Total net assets	1,094,297	816,828
	$ 1,269,247	$ 821,553
Results of Operations		
Total revenues	$ 795,586	$ 375,695
Total expenses	518,117	396,069
Excess of revenue (deficiency) over expenditures	$ 277,469	$ (20,374)

The Foundation uses fund accounting and follows the restricted fund method of accounting for contributions.

6. DEFERRED REVENUE

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

	2005	2004
Apprenticeship	$ 1,097,144	$ 1,303,821
Offshore Operation	673,655	1,677,043
JD Irving	---	25,000
Applied Research	578,968	378,927
Customized training	1,975,536	1,657,799
Other	1,773,746	1,220,179
	$ 6,099,049	$ 6,262,769

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia and other sources for capital asset additions. The deferred revenue is amortized into revenue at a rate corresponding with the amortization rate for the related capital asset. The changes in the deferred balance are as follows:

	2005	2004
Beginning balance	$ 3,230,130	$ 2,197,986
Contributions received	2,755,277	2,577,035
Amortization of deferred revenue related to capital assets	(1,873,351)	(1,544,891)
Ending balance	$ 4,112,056	$ 3,230,130

8. NET ASSETS INVESTED IN CAPITAL ASSETS

	2005	2004
Capital assets, net of amortization	$ 5,561,551	$ 5,999,361
Deferred revenue related to capital assets	(4,112,056)	(3,230,130)
	$ 1,449,495	$ 2,769,231

9. REVENUE-PROVINCE OF NOVA SCOTIA

	2005	2004
Funding received	$ 76,656,000	$ 74,687,720
Portion related to capital assets	(1,000,000)	(1,000,000)
	$ 75,656,000	$ 73,687,720

10. OTHER REVENUE

	2005	2004
Other revenue is summarized as follows:		
Bookstore revenue	$ 3,732,747	$ 3,640,823
Food sales	1,506,781	1,547,605
Apprenticeship/Shop	2,633,657	2,392,080
Interest	443,488	561,438
Recoveries	3,503,073	2,684,729
Applied research	817,426	658,590
Lodging, rent and miscellaneous	3,906,020	3,392,046
	$ 16,543,192	$ 14,877,311

11. CHANGES IN NON-CASH WORKING CAPITAL

	2005	2004
Accounts receivable	$ 4,887,973	$ (12,935,785)
Inventory	62,692	(38,416)
Prepaids	(135,619)	(77,968)
Accounts payable and accrued liabilities	(1,723,987)	3,008,957
Deferred revenue	(163,720)	(249,621)
	$ 2,927,339	$ (10,292,833)

12. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for college development projects.

13. PENSIONABLE ADVANCE

When the College took over the payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears". This receivable was formerly held by the Province.

14. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years.

2006	$ 1,337,628
2007	947,051
2008	567,555
2009	508,916
2010	326,158
	$ 3,687,308

15. PENSION PLAN

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 6.4% (2004 - 5.4%) on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 8% (2004 - 7%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $3,774,702 (2004 - $3,195,533) for the year.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% (2004 - 8.3%) on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% (2004 - 9.9%) on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of $6,739,408 (2004 - $6,431,135) for the year.

16. EMPLOYEE FUTURE BENEFIT OBLIGATION

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan.

An actuarial evaluation was completed as of March 31, 2005 and the College's obligation relating to these benefits was $2,781,000 (2004 - $2,004,000). The benefit expense was $644,000 (2004 - $585,000).

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

Future salary increase	6% per annum
Expected rate of return	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

17. FINANCIAL INSTRUMENTS

Fair Value

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

Credit Risk

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk at March 31, 2005.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to confirm with the current years presentation.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture and Fisheries

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2005, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 18, 2005

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Balance Sheet
March 31, 2005

ASSETS

	2005	2004
Current		
Cash	$ 172,578	$ 140,980
Short-term investments (note 3)	6,507,679	6,072,787
Receivables, trade	31,936	34,998
Accrued interest receivable	102,517	121,504
	6,814,710	6,370,269
Property, plant and equipment (note 4)	37,482	43,412
	$ 6,852,192	$ 6,413,681

LIABILITIES

	2005	2004
Current		
Unearned premiums	$ 44,594	$ 51,015
Deposits for insurance	14,744	614
Provision for payment of unsettled indemnities (note 5)	---	2,105
	59,338	53,734
Deferred contributions related to capital assets (note 6)	37,482	43,413
	96,820	97,147

FUND BALANCES

	2005	2004
Fund balances		
Crop insurance	5,785,414	5,399,468
Livestock insurance	969,958	917,066
	6,755,372	6,316,534
	$ 6,852,192	$ 6,413,681

Commitments (note 10)

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Surplus and Fund Balances
Year Ended March 31, 2005

	Crop Insurance	Livestock Insurance	Other	Totals 2005	Totals 2004
Revenue					
Insurance premiums (Schedule A)	$ 740,432	$ 34,587	$ ---	$ 775,019	$ 885,200
Interest income	146,975	23,905	---	170,880	212,124
Amortization of deferred contributions (note 6)	---	---	12,116	12,116	10,797
	887,407	58,492	12,116	958,015	1,108,121
Indemnity claims (Schedule A)	487,795	5,600	---	493,395	883,719
Re-Insurance premiums	---	---	---	---	195,633
Bad debt expense	13,666	---	---	13,666	19
Administrative expenses (note 7) (Schedule B)	734,606	14,992	---	749,598	722,518
Amortization of capital assets	---	---	12,116	12,116	10,797
	1,236,067	20,592	12,116	1,268,775	1,812,686
Surplus (deficiency) before Government contributions	(348,660)	37,900	---	(310,760)	(704,565)
Government contributions (note 8)	734,606	14,992	---	749,598	722,517
Net surplus (deficiency)	385,946	52,892	---	438,838	17,952
Fund balances, beginning of year	5,399,468	917,066	---	6,316,534	6,298,582
Fund balances, end of year	$ 5,785,414	$ 969,958	$ ---	$ 6,755,372	$ 6,316,534

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Operating Activities		
Net surplus	$ 438,838	$ 17,952
Amortization of capital assets	12,116	10,797
Amortization of deferred contributions	(12,116)	(10,797)
	438,838	17,952
Net change in non-cash working capital balances related to operations (note 9)	27,652	(25,731)
	466,490	(7,779)
Investing Activities		
Purchase of short-term investments	(434,892)	65,301
Purchase of capital assets	(6,186)	(18,746)
Deferred contributions related to capital assets	6,186	18,746
	(434,892)	65,301
Increase in cash during year	31,598	57,522
Cash, beginning of year	140,980	83,458
Cash, end of year	$ 172,578	$ 140,980

Notes to Financial Statements
March 31, 2005

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policy.

Capital Assets
Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2005 these funds had a market value of $6,501,917 (2004 - $6,074,663) and were invested in various corporate and provincial bonds and promissory notes maturing in 2005 and 2006 with yields from 1.20% to 3.25%.

4. Property, plant and equipment

	2005	2004
Equipment and furniture.	$ 94,362	$ 122,689
Accumulated amortization	(56,880)	(79,277)
	$ 37,482	$ 43,412

5. Provision for payment of unsettled indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

		2005		2004
Balance, beginning of year	$	43,413	$	35,463
Add: Capital assets acquired		6,185		18,747
Less: Amounts amortized to revenue		(12,116)		(10,797)
Balance, end of year	$	37,482	$	43,413

7. Related party transactions

Administrative expenses include $30,000 (2004 - $30,000) for rent and $44,240 (2004 - $44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

8. Government contributions

Under the crop insurance programs, producers now pay 40% of the insurance premiums and the Federal and Provincial governments each pay 36% and 24% respectfully. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2005 fiscal year, the Federal government contributed 60% (2004 - 40%) of the total administrative expenses. The Provincial government funded the remainder. The Province pays total administrative costs of livestock insurance.

9. Net change in non-cash working capital balances related to operations

		2005		2004
Increase (decrease) in cash from changes in:				
Receivables	$	3,062	$	23,820
Accrued interest receivable		18,987		(55,419)
Increase in deposits for insurance		14,130		(960)
Unsettled indemnities		(2,106)		(4,299)
Unearned premiums		(6,421)		11,127
	$	27,652	$	(25,731)

10. Insurance coverage

The total insurance coverage as of March 31, 2005 was $52,522,735 (2004 - $54,353,458), comprising crop insurance of $16,317,410 (2004 - $16,614,618) and livestock insurance of $36,205,325 (2004 - $37,738,840).

The Province is party to an agreement with the Government of Canada, whereby, the Province made advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund were recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately $709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. The matter remains unresolved as of March 31, 2005. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

11. Public service superannuation fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability. The pension expense incurred in the current year was $31,163 (2004 - $26,071).

12. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Premium Revenue and Indemnity Claims
For the Year Ended March 31, 2005

Schedule A

	Premium Revenue					Indemnity Claims	
	Farmer	**Federal**	**Provincial**	**2005**	**2004**	**2005**	**2004**
Crop Insurance							
Spring grain	$ 13,246	$ 11,433	$ 7,618	$ 32,297	$ 47,143	$ 31,067	$ 86,714
Winter grain	18,059	16,247	10,842	45,148	44,264	9,312	78,244
Tree fruit	92,599	83,565	55,703	231,867	221,045	286,405	71,956
Corn	37,963	34,254	22,832	95,049	71,810	13,574	36,597
Peas & beans	---	---	---	---	86,954	---	210,922
Blueberries	79,121	71,259	47,479	197,859	223,805	116,230	113,582
Strawberries and raspberries	11,693	9,983	6,661	28,337	12,639	14,202	55,467
Forage	1,697	1,535	1,025	4,257	4,920	911	7,993
Soybeans	6,083	5,189	3,456	14,728	8,338	2,826	---
Potatoes	3,386	3,078	2,031	8,495	20,505	---	---
Vegetables	33,206	29,525	19,664	82,395	108,317	13,268	176,205
	297,053	266,068	177,311	740,432	849,740	487,795	837,679
Livestock Insurance							
Dairy	34,587	---	---	34,587	35,460	5,600	46,040
Total	$ 331,640	$ 266,068	$ 177,311	$ 775,019	$ 885,200	$ 493,395	$ 883,719

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses
For the Year Ended March 31, 2005

Schedule B

	Insurance		Totals	
	Crop	**Livestock**	**2005**	**2004**
Personnel	$ 522,520	$ 10,663	$ 533,183	$ 522,633
Transportation and communication	64,078	1,308	65,386	60,117
Information	13,285	271	13,556	11,870
Professional and special services	42,531	868	43,399	33,871
Office accommodation and equipment rental	32,164	656	32,820	32,373
Repair and maintenance of equipment	3,698	75	3,773	3,222
Materials and supplies	12,975	266	13,241	14,193
Central government services	43,355	885	44,240	44,239
	$ 734,606	$ 14,992	$ 749,598	$ 722,518

AUDITORS' REPORT

To the Minister responsible for the Emergency Measures Act

We have audited the statement of financial position of Nova Scotia E911 Cost Recovery Fund (the "Fund") as at March 31, 2005 and the statements of operations and fund equity and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

The Fund is managed by the Emergency Measures Organizations (EMO), and the EMO and the Government of Nova Scotia have the ability to incur expenses on behalf of the Fund, which may not have been charged to the Fund; therefore, the completeness of the expenses of the Fund are not susceptible to satisfactory audit verification. Accordingly, our verification of these expenses was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to expenses, excess of revenues over expenses, current liabilities, net assets and Fund equity.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the expenses referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PriceWaterhouseCoopers, LLP
Chartered Accountants

June 10, 2005

NOVA SCOTIA E911 COST RECOVERY FUND

Statement of Financial Position
As at March 31, 2005

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,798,919	$ 834,593
Accounts receivable (note 3)	1,374,785	1,394,344
Accrued interest receivable	145	173
	$ 3,173,849	$ 2,229,110
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,550	$ 11,717
Due to Province of Nova Scotia	1,630,331	1,579,611
	1,635,881	1,591,328
FUND EQUITY		
Fund equity	1,537,968	637,782
	$ 3,173,849	$ 2,229,110

NOVA SCOTIA E911 COST RECOVERY FUND

Statement of Operations and Fund Equity
For the year ended March 31, 2005

	2005	2004
Revenue		
Fees	$ 4,733,226	$ 4,486,147
Investment income	20,351	23,900
	4,753,577	4,510,047
Expenses		
911 management, administration and operation (Schedule)	1,609,407	1,572,635
Billing and collection charges	743,634	724,694
Service Nova Scotia and municipal relations digital mapping	550,000	600,000
IWK Poision Centre operations	571,924	507,000
Municipalities	252,300	252,300
Department of Transportation distance markers	71,124	71,110
Allowance for bad debts incurred by carriers (note 4)	55,002	49,406
	3,853,391	3,777,145
Excess of revenue over expenses for the year	900,186	732,902
Fund equity (deficiency) - Beginning of year	637,782	(95,120)
Fund equity - End of year	$ 1,537,968	$ 637,782

NOVA SCOTIA E911 COST RECOVERY FUND

Statement of Cash Flows
for the year ended March 31, 2005

		2005		2004
Cash provided by (used in)				
Operating activities				
Excess of revenue over expenses for the year	$	900,186	$	732,902
Net change in non-cash working capital balances related to operations				
Decrease (increase) in accounts receivable		19,559		(751,679)
Decrease (increase) in accrued interest receivable		28		1,063
Increase (decrease) in accounts payable and accrued liabilities		(6,167)		(218,581)
Increase (decrease) in amount due to the Province of Nova Scotia		50,720		(748,881)
Net change in cash during the year		964,326		(985,176)
Cash and cash equivalents - Beginning of year		834,593		1,819,769
Cash and cash equivalents - End of year	$	1,798,919	$	834,593
Cash and cash equivalents is comprised of				
Cash	$	12,937	$	55,923
Short-term investments		1,785,982		778,670
	$	1,798,919	$	834,593

Notes to Financial Statements
For the year ended March 31, 2005

1. Description of the Fund

The Nova Scotia E911 Cost Recovery Fund (the "Fund") was established on February 2, 2001, pursuant to the Emergency 911 Act. The purpose of the Fund is to recover costs incurred to carry out Emergency 911 operations by charging a monthly fee to telephone subscribers in Nova Scotia.

On behalf of the Province of Nova Scotia, the 911 service is managed, operated and administered by the Nova Scotia Emergency Measures Organization. These financial statements do not include the assets and liabilities of the Nova Scotia Emergency Measures Organization.

2. Significant accounting policies

Cash and cash equivalents
Cash and cash equivalents consist of amounts held on account at financial institutions and short-term investments readily convertible to cash.

Revenue
The Fund recognizes revenue when remittances from carriers owe and collection of the resulting receivable is probable. Any cumulative excess of revenue over expenses of the Fund are deferred to cover cost of operations in future years.

Capital expenditures
Expenditures of a capital nature are expensed in the Fund as the resultant assets are owned and operated by the Nova Scotia Emergency Measures Organization.

Management estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Accounts receivable

Accounts receivable balance represents the net of gross fees receivable less a provision for bad debts and collection charges.

	2005	2004
Gross fees	$ 1,644,061	$ 1,684,279
Provision for bad debts	(22,390)	(20,772)
Collection charges	(246,886)	(269,163)
	$ 1,374,785	$ 1,394,344

4. Allowance for bad debts

Under the terms of the Billing and Collection Agreement, prior to remitting fees to the Fund, each carrier may deduct from the gross billings an amount equal to the rate of bad debts experienced by the carrier in the previous month or quarter.

5. Commitment

In 2002, the Nova Scotia Emergency Measures Organization committed to the purchase of a communications system and ongoing maintenance of the system through 2006. The total cost of the system to be expensed and recovered from carriers through the Fund, including maintenance costs, amounts to $2,289,365. At March 31, 2005, $2,105,365 (2004 - $1,921,365) has been paid to the supplier. Amounts payable over the next year are $184,000.

6. Financial instruments

Fair values
The fair values of the Fund's financial instruments are approximately equal to their carrying values due to their short-term maturity.

NOVA SCOTIA E911 COST RECOVERY FUND

Schedule of 911 Management, Administration and Operations Expenses
For the year ended March 31, 2005

	2005	2004
911 call answer charges	$ 720,927	$ 725,319
Direct salaries and benefits	347,363	339,641
911 call taker equipment purchase	206,500	235,324
Professional services	96,046	68,376
Telecommunications	72,169	75,714
Call taker training	53,064	9,717
Office furniture and equipment	28,086	7,542
In province travel	20,417	14,293
Consulting services	17,275	---
Staff training	12,629	15,250
Advertising and public information	10,384	25,813
Audit	5,550	11,250
Printing brochures, pamphlets, etc.	4,951	1,001
Meeting expenses	4,242	6,305
Office supplies	3,494	3,848
Rentals of faxes and photocopiers	2,880	3,090
Legal	1,500	4,000
Parking	993	935
Postage, courier and taxi expenses	937	3,117
Rent	---	22,100
	$ 1,609,407	$ 1,572,635

NOVA SCOTIA FARM LOAN BOARD

These financial statements are in draft form only

NOVA SCOTIA FARM LOAN BOARD

Balance Sheet
March 31, 2005

ASSETS

		2005		2004
				(in thousands)
Cash (Note 2a)	$	1,359	$	1,459
Interest and other receivables		3,791		4,086
Deposits held by the Province of Nova Scotia (Note 3)		2,385		2,395
Loans receivable (net) (Note 4)		163,834		163,249
Real Estate (Note 5)		3,024		4,882
Total Assets	$	174,393	$	176,071

LIABILITIES

Provision for future life insurance claims (Note 7)	$	2,290	$	2,350
Advances from the Province of Nova Scotia (Note 8)		170,650		172,218
Total Liabilities		172,940		174,568

EQUITY

Retained earnings (Note 2g)		1,453		1,503
Total Liabilities and equity	$	174,393	$	176,071

Commitments and Contingencies (Note 9)

The accompanying notes are an integral part of these Financial Statements

NOVA SCOTIA FARM LOAN BOARD

Statement of Operations
For the year ended March 31, 2005

		2005	2004
Revenue			(in thousands)
Interest revenue	$	11,140 $	11,874
Revenue (expense) on life insurance operations (Note 7)		(108)	(232)
Fee revenue and other income		596	572
Total Revenue		11,628	12,214
Expense			
Interest expense (Note 2g)		9,325	9,914
Operating expense (Note 10)		1,202	1,161
Bad debt expense (Note 6)		1,352	(1,055)
Total Expense		11,879	10,020
Income before government contributions		(251)	2,194
Government contributions (Note 10)		1,202	1,161
Net Income	$	951 $	3,355

Statement of Retained Earnings
Year End as at March 31, 2005

		2005	2004
			(in thousands)
Retained earnings, beginning of year	$	1,503 $	1,064
Income before government contributions		(251)	2,194
Distribution to the Province of Nova Scotia (Note 2h)		201	(1,755)
		(50)	439
Retained earnings, end of year	$	1,453 $	1,503

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements
March 31, 2005

1. Authority

The Nova Scotia Farm Loan Board, a Provincial agency, operates under the authority of the Agriculture and Rural Credit Act and the Forests Act (for timber Loans). The Board was established to provide assistance to the agricultural sector in the Province.

Principal in loans outstanding is limited by regulation to $200 million. Maximum advances to be disbursed in any given year is established through the annual budgeting process. For the current fiscal year the maximum new advance was $30 million (2003-04 $25 million).

Loans in excess of $2 million require approval by Govenor-In-Council.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are the significant accounting policies used in the preparation of these financial statements.

a) **Cash**
The Farm Loan Board operates as an agency of the Province of Nova Scotia. All Cash is received and disbursed through accounts managed centrally by the Province.

Cash reported consists of funds held by the Sun Life Assurance Company in relation to the Board's Creditor Group Life Insurance program. A portion of the funds are restricted under the terms of the life insurance contract. The remainder is internally restricted.

	2005	2004
	(in thousands)	
Contractually restricted deposits	$ 30	$ 31
Internally restricted deposits	1,329	1,428
	$ 1,359	$ 1,459

b) **Statement of cash flows**
See 2a above, except for funds held by the insurance carrier, the Board holds no cash. All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A Statement of Cash Flows has not been provided because disclosure in the Balance Sheet and Statement of Operations is considered adequate.

c) **Loans receivable**
Loans receivable is the principal portion of loans outstanding net of the allowance for loan impairment.

Loans are classified as impaired when in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest.

d) **Allowance for Impairment**
The allowance for impairment represents managements' best estimate of the losses due to impaired loans in the Board's portfolio. The allowance is determined based on management's identification and evaluation of problem accounts and estimated losses that exist in the remaining portfolio. These judgements are influenced by the composition and quality of the portfolio, general economic conditions, and conditions affecting specific commodities as well as the Board's policy to act as patient lender, providing additional time for repayment, where full future repayment seems reasonable.

The Provision is established in two components: 1) A Specific Reserve based on a loan-by-loan review is established to value impaired loans at the lower of their recorded investment or the estimated realizable amount of their underlying security. 2) A general reserve is an estimate of probable but unidentified losses in the portfolio that have not been included in the specific reserve. This estimate is based on general and commodity specific economic conditions, as well as past experience and a comparison of allowances made by other similar lenders.

The allowance for impairment is an accounting estimate based on historic loan experience and an assessment of current conditions. Events may occur that render the underlying assumptions invalid and thus cause actual credit losses to vary significantly from management's estimate.

e) **Real estate acquired in settlement of loans**

Real estate acquired in settlement of loans which is held for sale is initially recorded at the lower of the recorded investment in the foreclosed loan and the estimated fair value based on the resale value of security held less disposal costs.

Net operating costs incurred on real estate held for sale are added to the carrying value of the property. The related provision is used to adjust the carrying value to net realizable value, resulting in inclusion of these costs in the expense for bad debts.

f) **Real estate acquired for leasing or other purposes**

The Board holds land purchased under a Provincial 'Landbank' program and under a Federal-Provincial Agriculture and Rural Development Agreement' (ARDA). Both of these programs have ceased to exist however existing properties and leases continue with renewable five year terms. Property acquired under these programs is valued at cost less the unamortized value of the Federal contribution to the ARDA program. The Federal contribution is amortized to other income when related properties are sold. Lease clients are entitled to purchase the related property at its original purchase costs.

g) **Capital assets**

The Board applies the capitalization policies of the Province to assets and improvements purchased. No assets acquired by the Board meet the minimum guidelines for capitalization.

h) **Interest expense and retained earnings**

A Memorandum of Understanding (MOU) dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Nova Scotia Department of Finance formalizes the Board's funding arrangement and enables the Board to retain 20% of its net income for future use (as Retained Earnings). The agreement took effect as of April 1, 1998.

Under the MOU arrangement, the Board estimates projected lending requirements on a quarterly basis. The Department arranges the requested financing for terms requested and provides that to the Board at interest rates related to the terms and volumes requested. Funding is maintained to cover the Board's investment in loans receivable and in real estate. The Board tracks the draws arranged with the Department of Finance and computes the interest cost based on the terms of these draws. Actual financing costs are included as interest costs of the Province.

Also under the terms of the MOU, the Board is entitled to set aside 20% of its Income before Government Contributions as Retained Earnings. Funds related to the Retained Earnings are included in 'Deposits held by the Province of Nova Scotia' and may be used by the Board for specific stated purposes, subject to the approval of the Department of Finance.

i) **Interest recognition**

Interest is recognized when earned. Recognition of interest on impaired loans is offset by the allowance for impairment and bad debt expense. Interest recognition ceases on loans when the requirement to recover on security becomes likely.

j) **Fee revenue**

All loan related fees are reported as revenue in the period in which they were earned.

k) **Measurement uncertainty**

Preparation of the Board's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Significant assumptions are required in determination of the allowance for impaired loans and the provision for future life insurance claims. See notes related to those sections for additional information. Actual results may differ.

l) **Risk management**

Credit Risk

The risk that clients may not pay amounts owing on loans and lease accounts, resulting in a loss to the Board is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to cyclical industry, or other temporary difficulties it is the Board's policy to work with clients on a individual basis to provide time for recovery. See note 4 for additional loan information.

Liquidity Risk

The Province of Nova Scotia provides funding and cash management services to the Board. There is no risk that funds will be unavailable to meet lending commitments except to the extent of legislative and budgetary limitations on lending authority as identified in note 1.

Interest Rate Risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province. All loans provide for an optional 10% repayment at any time during each calendar year and optional full repayment on each 5 year anniversary. All loans are contracted for the full term of their amortization which may range from 1 to 30 years. Funds drawn through the Province provide for 10% annual and 5 year full optional repayments.

3. Deposits held by the Province of Nova Scotia

See note 2a regarding the Board's ability to hold cash. Deposits held by the Province represent funds deposited by the Board which will be available for future use.

	2005	2004
	(in thousands)	
Insurance deposit. . . . . $	932 $	892
This consists of funds received as a result of past surpluses within the self-administered Creditor Group Life Insurance program. These funds are internally restricted to insurance related purposes.		
Retained Earnings deposit	1,453	1,503
These funds are composed of the accumulated 20% portion of annual net income held by the Province for use by the Board, subject to approval by the Department of Finance.		
$	2,385 $	2,395

4. Loans Receivable (principal)

Summarised by anticipated repayment based on loan payment schedules and maturities. Values based on book value of funds disbursed less principal portion of repayments to date. Allowance for impairment adjusts value to anticipated amount recoverable. Government approval for write-off is submitted after all security has been realized and a deficiency remains.

2005

(in thousands)

	Under 1 year	1 to 5 yrs	5 to 24 years	Total
Farm loans	$ 22,645	$ 32,571	$ 101,015	$ 156,231
Timber loans	208	403	236	847
Performing loans	$ 22,853	$ 32,974	$ 101,251	$ 157,078
Average effective annual interest rate	6.43%	6.49%	6.56%	
Add principal receivable on impaired loans (excluded from above)				$ 9,929
Total principal				$ 167,007
Less provision for impaired loans				3,173
Loans receivable (net)				$ 163,834

2004

(in thousands)

	Under 1 year	1 to 5 yrs	5 to 24 years	Total
Farm loans	$ 21,697	$ 30,183	$ 107,005	$ 158,885
Timber loans	305	587	523	1,415
Performing loans	$ 22,002	$ 30,770	$ 107,528	$ 160,300
Average effective annual interest rate	6.72%	6.75%	6.86%	
Add principal receivable on impaired loans (excluded from above)				$ 6,208
Total principal				$ 166,508
Less provision for impaired loans				3,259
Loan receivable (net)				$ 163,249

Draft-Unaudited

NOVA SCOTIA FARM LOAN BOARD

Notes to Financial Statements
March 31, 2005

Sector distribution

Performing Loans
(in thousands)

	2005			2004		
	Loans	% of total	Impairment Provision	Loans	% of total	Provision
Dairy	$ 47,104	29.9%	351	$ 49,624	30.9%	367
Poultry	27,113	17.3%	201	25,579	16.0%	189
Hog	17,728	11.3%	418	19,277	12.0%	445
Beef	11,906	7.6%	426	12,519	7.8%	160
Vegetables & Other Crops	9,444	6.0%	303	10,020	6.3%	483
Blueberries	8,167	5.2%	70	7,901	4.9%	64
Greenhouse	6,856	4.4%	69	7,564	4.7%	311
Fur	6,377	4.1%	545	5,462	3.4%	668
Apple	4,127	2.6%	49	3,937	2.5%	94
Other Fruit	3,319	2.1%	291	2,854	1.8%	56
Timber	846	0.5%	6	1,414	0.9%	10
Other	14,091	9.0%	444	14,149	8.8%	412
	157,078	100.0%	3,173	160,300	100.0%	3,259

5. Real estate - lower of cost and net realizable value

	2005	2004
	(in thousands)	
Real Estate held for resale	$ 5,817	$ 6,074
Less: Allowance for impairment/adjustment to net realizable value.	4,603	3,284
Net Real Estate held for resale.	$ 1,214	$ 2,790
Real Estate held for long-term use		
Land Bank	1,316	1,520
Land Consolidation		
Agriculture Rural Development Agreement (ARDA)	59	66
Less: Federal Government share of ARDA Properties	(34)	(34)
Property used by NS Agricultural College and		
Community Pastures	469	540
Total Property acquired for long-term use	1,810	2,092
Total Real Estate	$ 3,024	$ 4,882

Draft-Unaudited

NOVA SCOTIA FARM LOAN BOARD

Notes to Financial Statements
March 31, 2005

6. Allowance for impairment

(in thousands)

	2005			2004		
	Loans	Real Est.	Total	Loans	Real Est.	Total
Allowance, beginning of year						
Principal	$ 3,259	$ 3,284	$ 6,543	$ 4,397	3,496	7,893
Interest	416	123	539	394	172	566
Total	3,675	3,407	7,082	4,791	3,668	8,459
Write-offs net of current period	---	---	---	---	(322)	(322)
Current year adjustments	(23)	1,395	1,372	259	80	339
Recoveries	(20)	(1)	(21)	(1,375)	(19)	(1,394)
Allowance, end of year	$ 3,632	$ 4,801	$ 8,433	3,675	3,407	7,082
Distribution of allowance						
Principal	3,173	4,603	7,776	3,259	3,284	6,543
Interest	459	198	657	416	123	539
Total	$ 3,632	$ 4,801	$ 8,433	3,675	3,407	7,082

	2005			2004
Specific Provision	2,443	4,790	7,233	5,860
General Provision	1,189	11	1,200	1,222
Total	$ 3,632	$ 4,801	$ 8,433	$ 7,082

Loans and Real Estate for which a specific allowance has been identified:	$ 15,746	$ 12,282
Remaining loans against which a general provision has been established:	158,888	162,392
Total	$ 174,634	$ 174,674

7. Provision for future life insurance claims

The Board requires borrowers to participate in a group life insurance program administered by the Board. The terms of the agreement with the Board's insurance carrier provide that claims above 125% of total annual client premiums will be the cost of the insurance carrier. Claims up to that point and administrative costs must be met through premiums received or funded by the Board.

The provision is an estimate of future insurance costs to the Board as a result of claims on existing loans. The estimate has been established by management based on periodic actuarial study of the portfolio adjusted in interim years in proportion to significant changes in the loan portfolio balance.

Any excess or shortfall in this provision at year-end is reported on the operating statement as income or expense.

8. Advances from the Province of Nova Scotia

These represent outstanding amounts provided by the Province of Nova Scotia to fund loans issued by the Farm Loan Board. Interest is calculated in accordance with the memorandum of understanding with the Department of Finance (note 2h).

9. Commitments and contingencies

The Board will hold interest rates for ninety days for any client from the date of receipt of approval of a loan application if interest rates increase.

As at 2005 the Board had authorized loans of $2,599,000 (2004 - $2,646,000) which had not been disbursed.

The loan interest rate on outstanding approved commitments at March 31, 2005 was 5.90%.

The Board is aware of environmental issues on two properties used to secure loans at March 31, 2004. Legal responsibility and cleanup costs are not yet resolved. Total cleanup costs are estimated to be between $30,000 and $300,000.

There were no legal claims being pursued against the Board at March 31, 2005.

10. Operating Expenses

	2005	2004
	(in thousands)	
Salaries	$ 1,018	$ 999
Supplies and Services	66	44
Travel	48	47
Training and development	23	23
Professional/Special Service	33	36
Equipment & Other	14	12
Board operating expenses	$ 1,202	$ 1,161

Government provides an annual operating contribution equal to operating expenses.

11. Related Party Transactions

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Nova Scotia Department of Finance is the sole source of funding for loans (See Note 2g). Property used by the Nova Scotia Agricultural College' is property purchased by the Board for College use and will eventually be transferred to another government department. Transactions with other Provincial entities were entered into in the normal course of business.

12. Pension and post-retirement benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability as well as other obligations related to post-retirement benefits are the responsibility of the Province. It is not anticipated that any such future costs would be allocated to the Board.

AUDITOR'S REPORT

TO THE MEMBERS OF THE BOARD OF THE NOVA SCOTIA FILM DEVELOPMENT CORPORATION:

We have audited the statement of financial position of Nova Scotia Film Development Corporation as at March 31, 2005 and the statement of operations and changes in net assets 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 financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
Chartered Accountants

Halifax, Nova Scotia
May 20, 2005

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Financial Position
March 31, 2005

ASSETS

		2005		2004
Current				
Cash and short term investments	$	995,807	$	914,863
Other receivables		87,151		105,987
Prepaid expenses		18,710		21,111
		1,101,668		1,041,961
Property and equipment (note 3)		16,379		21,400
	$	1,118,047	$	1,063,361

LIABILITIES

		2005		2004
Current				
Payables and accruals, trade	$	23,318	$	79,454
Commitments payable (note 4)		1,056,516		906,216
Deferred revenue		37,534		73,902
		1,117,368		1,059,572

NET ASSETS

		2005		2004
Net assets unrestricted		679		3,789
	$	1,118,047	$	1,063,361

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Statement of Operations and Changes in Net Assets
Year Ended March 31, 2005

	2005	2004
Revenue		
Contributions from the Department of Economic Development	$ 2,508,700	$ 2,738,526
Recovery of equity investments and development loans (notes 6 & 7)	340,080	258,049
Interest and other income	176,510	121,485
	3,025,290	3,118,060
Expenditures		
Equity investments (note 6)	2,057,485	2,346,630
Project development loans (note 7)	113,560	88,398
Special projects	232,154	139,374
Training assistance, net of recoveries	(9,534)	(10,334)
Advertising and marketing (page 301)	194,959	182,889
Administrative expenses (page 301)	439,776	375,121
	3,028,400	3,122,078
Deficiency of revenues over expenditures	(3,110)	(4,018)
Net assets, beginning of year	3,789	7,807
Net assets, end of year	$ 679	$ 3,789

Notes to Financial Statements
March 31,2005

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

a) Statement of Cash Flows
A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Program Loans and Equity Investment
Program loans and equity participation are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.

c) Amortization
Amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets, as indicated note 3.

d) Use of Estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses durint the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. Property and equipment

	2005				2004
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment . . .	50%	$ 15,942	$ 8,463	$ 7,479	$ 5,275
Computer software.	50%	18,356	11,689	6,667	13,334
Equipment.	20%	3,317	1,084	2,233	2,791
		$ 37,615	$ 21,236	$ 16,379	$ 21,400

4. Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods.

5. Costs Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments and the estimated value of these services are as follows:

	2005	2004
Legal services	$ 25,000	$ 25,000
Rent	25,000	25,000
	$ 50,000	$ 50,000

The value of these services is not reflected in these financial statements.

6. Equity investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received $314,820 (2004 - $179,311) in the recovery of equity investments. The total of equity investments of the Corporation March 31, 2005 is $25,118,927 (2004 - $23,061,442). As at March 31, 2005, $1,575,217 has been recouped.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2005 were $2,012,916 (2005 - $1,923,199). Development loans of $25,260 (2004 - $78,738) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed $19,386 to the fund (2004 - $15,796).

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependant on the Office of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

10. Financial Instruments

Fair Value of financial instruments
Financial instruments of the company consist of cash and short term investments, other receivables and accounts payable and accrued liabilities. The carrying values of these financial assets and financial liabilities approximate their fair values.

Interest Rate Risk
The coorporation manages its temporary investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on the temporary investments during the year varied from 1.80% to 2.28% (2004 - 2.16% to 3.00%). The interest rate at the end of the year was 2.28% (2004 - 2.16%) with investments held in money market funds.

11. Comparative Figures

Certain of the comparative figures are restated to conform with current year's presentation.

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Schedule of Advertising and Marketing Expenses
and Schedule of Administrative Expenses
Year Ended March 31, 2005

	2005	2004
Advertising and Marketing Expenses:		
Advertising	$ 28,298	$ 20,635
Amortization	7,156	4,300
Annual report	2,536	2,381
Business travel and expenses	40,099	41,118
Familiarization tour and marketing materials	14,497	5,486
Locations library	6,103	10,376
Location scout	8,600	10,900
Photos/location services	12,376	10,998
Production guide, net of receipts of $50,797 (2004 - $49,998)	(8,556)	2,587
Salaries and benefits	83,850	74,108
	$ 194,959	$ 182,889

	2005	2004
Administrative Expenses:		
Amortization	$ 4,378	$ 4,599
Bank charges	2,173	1,954
Board honorarium and expenses	16,597	12,780
Conference/marketing	4,039	2,959
Consultants	63,567	18,738
Courier services	363	419
Dues, fees and subscriptions	6,969	6,878
Insurance	2,542	1,957
Office supplies	15,305	15,421
Photocopier/fax rental	2,504	4,002
Postage	4,257	4,086
Professional fees	5,965	5,140
Salaries and benefits	301,011	282,933
Staff training	3,575	7,737
Telephone and fax	6,531	5,518
	$ 439,776	$ 375,121

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture and Fisheries

I have audited the balance sheet of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2005 and the statements of revenues, expenses and accumulated surplus, and continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 12, 2005

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Balance Sheet
March 31, 2005

ASSETS

		2005		2004
Loans receivable (Note 5)	$	81,182,684	$	71,100,660
Accrued interest receivable		1,876,038		1,707,955
Due from Consolidated Fund of the Province (Note 6)		54,899,578		65,747,735
	$	137,958,300	$	138,556,350

LIABILITIES AND FUND BALANCE

		2005		2004
Liabilities				
Applicants' funds on deposit	$	26,993	$	378,126
Payable to bank (Note 7)		235,000		---
Due to Consolidated Fund of the Province		1,876,038		1,707,955
Fisheries and Aquaculture Development Fund		135,820,269		136,470,269
	$	137,958,300	**$**	138,556,350

Commitments (Note 7)

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Statement of Revenues, Expenses and Accumulated Surplus for the year ended March 31, 2005

	Budget 2005	Actual 2005	Actual 2004 (Note 12)
Revenues			
Interest income	$ 5,600,000	$ 5,796,168	$ 5,492,696
Loan fees	106,700	169,542	151,060
		5,965,710	5,643,756
Expenditures			
Interest expense (Note 8)	---	3,781,760	3,432,152
Salaries and benefits (net of recoveries)	502,800	473,858	485,076
Board honoraria	7,600	3,800	4,100
Travel	48,200	48,516	54,083
Office expense	17,700	23,997	28,270
Bad debts expense (net of recoveries)	50,000	647,386	41,424
		4,979,317	4,045,105
Operating Surplus before Government contribution		986,393	1,598,651
Contribution by Department of Agriculture and Fisheries (Note 9)		1,197,557	612,953
Surplus		2,183,950	2,211,604
Distribution to Consolidated Fund of the Province (Note 9)		2,183,950	2,211,604
Accumulated surplus, end of year		$ ---	$ ---

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD

Statement of Continuity of Fund
for the year ended March 31, 2005

		2005		2004
Fisheries and Aquaculture Development Fund, beginning of year	$	136,470,269	$	136,520,270
Deduct: Bad debts expenses (Note 2)		650,000		50,001
Fisheries and Aquaculture Development Fund, end of year	$	135,820,269	$	136,470,269
Comprising:				
Loans receivable (Note 5)	$	81,182,684	$	71,100,660
Loans authorized but unadvanced (Note 6)		1,947,734		4,909,114
Aquaculture loan guarantees (Note 6)		---		370,000
Uncommitted Fund balance (Note 6)		52,924,851		60,090,495
Payable to bank		(235,000)		---
	$	135,820,269	$	136,470,269

The accompanying notes are an integral part of these financial statements

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 34 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Nova Scotia Fisheries and Aquaculture Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishermen, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

Principal in loans outstanding is limited by Order-in-Council to $150 million, less $14.2 million in bad debts since the inception of the fund. Maximum advances disbursed in any given year is established through the annual budgeting process, which requires approval of government. For the year ended March 31, 2005, maximum new advances were $25 million (2004 - $25 million).

Loans in excess of $.5 milion, and any loan write-offs, require approval of Governor-in-Council.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies were used in their preparation.

(a) Revenues

Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees. Interest on impaired loans is not recorded in the financial statements.

(b) Expenses

Expenses are recorded on the accrual basis. Net expenses include recoveries which are directly related to the expenses and are not normally considered to be revenues.

Provisions are made for probable losses on certain loans and loan guarantees, and recorded in the statement of revenues, expenses and accumulated surplus as bad debts expense. Bad debts expenses also reduce the balance of the Fisheries and Aquaculture Development Fund. Recoveries of bad debts do not increase the Fund balance.

(c) Loans Receivable

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are classified as impaired when, in management's opinion, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. The allowance for loan impairment represents management's best estimate of losses due to impaired loans in the Board's portfolio. It is determined based on management's review of individual loan accounts and identification of problem accounts.

Any loan write-offs must be approved by the Governor-in-Council.

Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

(d) Statement of Cash Flow

No statement of cash flow is included in these financial statements because the Board has no cash accounts and the statement would not provide useful information.

3. Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts, such as the allowance for loan impairment, are based on the management assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

4. Credit and Interest Rate Risk

Credit Risk

The risk that clients may not pay amounts owing on loans, resulting in a loss to the Board, is managed through an initial assessment of the client's ability to pay, and by review and follow-up of delinquent accounts by loan officers. In cases in which the client is unable to make payments due to a cyclical industry, or other temporary difficulties, it is the Board's policy to work with clients on an individual basis to provide time for recovery. See Note 5 for additional loan information.

Interest Rate Risk

In order to mitigate the risk that future changes in interest rates may affect net interest revenue, the Board attempts to match terms of loans offered with those of funds drawn through the Province.

5. Loans Receivable

	2005	2004
Principal due on fishery loans:		
Performing loans	$ 80,148,986	$ 70,423,123
Impaired loans	204,653	48,181
Allowance for impaired fishery loans	(90,722)	(20,522)
Principal due on aquaculture loans:		
Performing loans	1,044,193	430,004
Impaired loans	1,108,229	872,729
Allowance for impaired aquaculture loans	(1,232,655)	(652,855)
Net loans receivable	$ 81,182,684	$ 71,100,660

6. Due from Consolidated Fund of the Province

The portion of the Fisheries and Aquaculture Development Fund that has not been advanced as loans is maintained in the Consolidated Fund of the Province. Maximum advances disbursed in any given year is established through the annual budgeting process, which required approval by government (Note 1). Deposits provided to the Board by loan applicants are also maintained in the Consolidated Fund. Financial commitments made by the Board reduce the amount of this account which is available for additional loans.

	2005	2004
Board commitments (Note 7)		
Loans authorized but unadvanced.	$ 1,947,734	$ 4,909,114
Aquaculture loan guarantees	---	370,000
Applicants' funds on deposit	26,993	378,126
Funds available for additional loans (Note 1).	52,924,851	60,090,495
	$ 54,899,578	$ 65,747,735

7. Commitments

Commitments include loans of $1,947,734 (2004 - $4,909,114) which were approved by the Board but not advanced by year end.

On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Aquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the former Nova Scotia Economic Renewal Agency to the Board, along with $1,000,000 of existing loan guarantees. The strategy provided approval for capital advances and guarantees of $2.0 million per year, until March 31, 2001. During the year ended March 31, 2005 one guarantee valued at $135,000 expired, and two others valued at $235,000 were called by a bank when the loans they supported became impaired. A payable to the bank has been recorded in the financial statements.

8. Interest Expense

Loans provided by the Board are funded through advances from the Consolidated Fund of the Province. Interest expense is calculated by the Board based on an estimate by the Department of Finance of the rate at which the Province could borrow funds over the next quarter. The Board does not prepare an annual budget for interest expense.

9. Contributions and Surplus

Expenses of the Board other than interest expense are paid by the Department of Agriculture and Fisheries on behalf of the Board. The operating surplus or deficit of the Board is retained in the Consolidated Fund of the Province.

10. Pension and Post-Retirement Benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Government of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the Province.

11. Related Party Transactions

The Board is related to all other departments, agencies, boards, and commissions of the Province of Nova Scotia. The Consolidated Fund of the Province is the sole source of funding for loans (see Note 6). Transactions with Provincial entities were entered into in the normal course of business.

12. Error in Prior Period

Interest expense was understated by $560,000 in the year ended March 31, 2004 due to a calculation error. The 2004 interest expense has been increased by $560,000 and Operating Surplus, Surplus and Distribution to Consolidated Fund of the Province have been decreased by $560,000. There is no effect on revenues and expenses for the year ended March 31, 2005.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 2005, the statement of income and payment to Province, the statement of retained earnings and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 13, 2005

NOVA SCOTIA GAMING CORPORATION

Balance Sheet
As at March 31, 2005

ASSETS

	2005	2004
	(in thousands)	
Current		
Cash and Short-term Investments (Note 3)	$ 14,088	$ 14,770
Cash - restricted (Note 2)	2,193	5,113
Inventory, at cost	1,662	2,135
Prepaids	809	1,285
	18,752	23,303
Long-term		
Cash - Casino Capital Replacement Reserve (Notes 3 and 10)	3,145	5,287
Deferred charges (Note 2)	349	480
Investment in Atlantic Lottery Corporation Inc. (Note 2)	1	1
Investment in Interprovincial Lottery Corporation (Notes 2 and 6)	1	1
Capital Assets (Note 7)	112,118	123,142
	115,614	128,911
	$ 134,366	$ 152,214

LIABILITIES

	2005	2004
Current		
Accounts payable	$ 1,420	$ 1,451
Deferred lottery revenue (Note 2)	404	358
Liabilities for unclaimed prizes (Note 2)	2,193	5,113
Capital obligation - current portion (Note 8)	37,924	37,394
Due to operators (Note 13)	8,250	11,462
Due to Atlantic Gaming Equipment Limited- current portion (Note 9)	16,473	14,808
Due to Nova Scotia Gaming Foundation	72	85
Due to Province of Nova Scotia	31,954	23,493
	98,690	94,164
Long-term		
Due to Atlantic Gaming Equipment Limited (Note 9)	12,886	21,352
Capital obligation (Note 8)	14,218	28,116
	27,104	49,468

EQUITY

	2005	2004
Casino Capital Replacement Reserve (Note 10)	8,572	8,582
	$ 134,366	$ 152,214

Commitments (Notes 3, 5, 12, and 14)
Subsequent Event (Note 19)

See accompanying notes to the financial statements

NOVA SCOTIA GAMING CORPORATION

Statement of Income and Payment to Province
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Revenue		
Ticket lottery (Schedule I)	$ 200,471	$ 206,281
Video lottery (Schedule I)	200,229	182,909
Halifax casino (Schedule II)	73,789	71,886
Sydney casino (Schedule III)	20,680	23,491
Other (Schedule IV)	210	264
	495,379	484,831
Expenses		
Ticket lottery (Schedule I)	164,447	167,892
Video lottery (Schedule I)	67,674	65,020
Halifax casino (Schedule II)	67,241	68,304
Sydney casino (Schedule III)	18,645	19,692
Responsible gaming	3,068	2,883
Other (Schedule IV)	4,001	3,227
	325,076	327,018
Net Income	170,303	157,813
Win tax	16,999	17,257
Payment to Province	$ 187,302	$ 175,070

Statement of Retained Earnings
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Retained earnings, beginning of year	$ ---	$ ---
Net income	170,303	157,813
Net income paid to Province.	(170,303)	(157,813)
Retained earnings, end of year	$ ---	$ ---

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Operating		
Net Income	$ 170,303	$ 157,813
Allocation of income to Province	(170,303)	(157,813)
Depreciation and amortization	22,524	19,929
Net changes in working capital (Note 16)	6,331	537
	28,855	20,466
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(6,801)	(9,719)
Reduction of capital obligation	(13,368)	(10,900)
	(20,169)	(20,619)
Investing		
Purchases of capital assets, net of dispositions	(11,500)	(4,979)
Decrease in Casino Capital Replacement Reserve, net of cash decrease	2,132	860
	(9,368)	(4,119)
Net decrease in cash and cash equivalents	(682)	(4,272)
Cash, beginning of year	14,770	19,042
Cash, end of year	$ 14,088	$ 14,770

See accompanying notes to the financial statements.

Notes to the Financial Statements
For the Year Ended March 31, 2005

1. Description of Business

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2. Accounting Policies

a) Basis of Presentation
The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Casino Revenues
In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues
In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

Receipts for lottery tickets sold prior to March 31, 2005 for draws held subsequent to that date are recorded as deferred revenue.

d) Video Lottery Revenues
In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Capital Assets
Capital Assets are stated at cost less accumulated amortization.

Amortization of the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization of the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

f) Nova Scotia Gaming Foundation Contribution

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

g) Deferred Charges

The deferred charges relate to payments made to site holders to remove video lottery terminals from certain sites. These costs are being amortized on a straight-line basis over five years.

h) Long-term Investments

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Cash - restricted and Unclaimed Prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded directly by the Interprovincial Lottery Corporation, with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Prize Expense

Prize expense for regional online games is recorded on the theoretical prize expense for each game. The actual expense incurred each year will vary from the estimate based on the nature of games of chance. Over the long term, it is expected that the actual prize expense will approximate the theoretical expense.

k) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Casino Nova Scotia

a) Operating Contract

i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

ii) Payments to Operator

The Operator is entitled to certain payments from each casino, calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax ($92.0 million total, $50.6 million outstanding) and Sydney ($23.2 million total, $1.5 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney casino and a seven year term in the Halifax casino, with interest calculated monthly at 12% per annum on the original capital investment outstanding;

- an amount equal to not less than 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;

- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;

- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above with interest calculated monthly at Prime + 1% per annum; and,

- an amount equal to 35% of cash available for distribution in Halifax.

iii) Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 - December 31. Any net operating income earned by the Corporation during the period January 1 - March 31, 2005 is subject to adjustment for the results of operations in the period April 1 - December 31, 2005.

b) Cash in Casino Accounts

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included $8,328,000 (2004 - $8,586,000) in cash from the Casino Accounts on the Balance Sheet.

c) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase the Halifax and the Sydney casino complexes, including capital assets and working capital for the price of $1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract. Triggering the option in either 2005 or 2010 automatically results in the termination and cancellation of the Operating Contract.

The Corporation is required to provide notice to the Operator between December 31, 2004 and March 31, 2005 if it intends to exercise the 2005 option. In March 2005, the Corporation advised the Operator that Government would not be exercising the 2005 option.

d) Casino Capital Replacement Reserve

A capital replacement reserve is intended to provide for replacement of casino capital assets. It is based on the following percentage of annual gross operating revenues of the casinos:

Halifax	1.5%
Sydney (April 1, 2004 to December 31, 2004)	4.5%
Sydney (January 1, 2005 to March 31, 2005)	9.5%

4. Atlantic Lottery Corporation Inc.

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through November 2007. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlanic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

5. Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	2005	2004
	(in thousands)	
The Department of Tourism, Culture and Heritage (in support of the Nova Scotia Cultural Federations)	$ 50	$ 50
The Department of Agriculture and Fisheries (in support of the Exhibition Association of Nova Scotia)	50	50
The Office of Health Promotion (in support of Sport Nova Scotia)	100	100
	$ 200	$ 200

These payments are special funds under the Provincial Finance Act established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the Gaming Control Act.

Bonus commissions of $988 (2004 - $3,000) were paid during the year to eight sporting and cultural organizations.

6. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event - Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7. Capital Assets

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
	(in thousands)			
Automotive	$ 935	$ 331	$ 604	$ 653
Computer equipment	4,697	3,164	1,533	2,134
Furniture and equipment	166	91	75	64
Computer software	65	22	43	25
Retail equipment	1,489	596	893	563
Leaseholds	548	303	245	282
Halifax casino assets	91,952	26,230	65,722	71,560
Sydney casino assets	23,206	11,956	11,250	11,740
Casino furniture and equipment	11,849	6,423	5,426	3,295
On-line gaming terminals	10,761	8,837	1,924	4,082
Video lottery terminals	52,065	27,662	24,403	28,744
	$ 197,733	$ 85,615	$ 112,118	$ 123,142

In 2004-05, the Corporation acquired capital assets of $7.9 million (2004 - $3.2 million) financed through Atlantic Gaming Equipment Limited, $0.0 million (2004 - $0.3 million) financed by Metropolitan Entertainment Group, and $4.5 million (2004 - $2.2 million) financed by the Casino Capital Replacement Reserve.

8. Capital Obligation

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

	Halifax	Sydney	Total
		(in thousands)	
2006	$ 38,980	$ 1,523	$ 40,503
2007	14,110	---	14,110
2008	1,104	---	1,104
Net minimum obligation	54,194	1,523	55,717
Less: amount representing interest at 12%	(3,555)	(20)	(3,575)
Present value of minimum obligation	50,639	1,503	52,142
Less: amount due within one year	(36,421)	(1,503)	(37,924)
Balance of obligation	$ 14,218	$ ---	$ 14,218

9. Due to Atlantic Gaming Equipment Limited

The liability represents a portion of Atlantic Lottery Corporation Inc. (ALC) debt, the security for which is assets operated on behalf of NSGC. All amounts are payable by ALC and are due on or before November 2007.

10. Casino Capital Replacement Reserve

	Halifax	Sydney	Total 2005	Total 2004
			(in thousands)	
Cash balance, beginning of year	$ 4,115	$ 1,172	$ 5,287	$ 5,746
Funding	1,107	1,141	2,248	1,580
Interest	51	19	70	138
Capital asset purchases	(3,066)	(1,394)	(4,460)	(2,177)
Cash balance, end of year	2,207	938	3,145	5,287
Add: cumulative capital asset purchases	7,587	4,263	11,850	7,389
Less: accumulated amortization	(3,920)	(2,503)	(6,423)	(4,094)
Balance, end of year	$ 5,874	$ 2,698	$ 8,572	$ 8,582

11. Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

12. Harness Racing

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2004, Government approved a contribution of $750,000 in 2004-05 to support the harness racing industry in Nova Scotia.

In May 2005, Government approved a $750,000 contribution in 2005-06 to support the harness racing industry in Nova Scotia.

13. Due to Operators

	2005	2004
	(in thousands)	
Due to/(from) Atlantic Lottery Corporation Inc.	$ (2,759)	$ 498
Due from lottery operations	(4,495)	(4,474)
Due to lottery operations	7,631	7,417
Due to casino operations	7,873	8,021
	$ 8,250	$ 11,462

14. Other Commitments

The Corporation is required to make annual lease payments of approximately $122,114 over the next five years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately $987,532 over the next two years.

15. Pensions

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Plan, a multi-employer plan. The plan is funded by equal employee and employer contributions. The employer accounts for the plan on a deferred contribution basis with contributions included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the Public Service Superannuation Plan.

16. **Supplemental Cash Flow Information**

	2005	2004
	(in thousands)	
Net change in working capital:		
Inventory	$ 473	$ 436
Prepaids	476	(881)
Deferred charges	131	36
Accounts payable	(31)	(775)
Deferred lottery revenue	46	(570)
Due to operators	(3,212)	(2,643)
Payable to Nova Scotia Gaming Foundation	(13)	11
Due to Province of Nova Scotia	8,461	4,923
	$ 6,331	$ 537

17. **Comparative Figures**

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

18. **Fair Value of Financial Assets and Financial Liabilities**

The fair value of the Corporation's cash and short-term investments, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to Atlantic Gaming Equipment Limited, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts.

It is not practicable to estimate the fair value for capiital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments.

19. **Subsequent Event**

On April 6, 2005, the Province of Nova Scotia outlined its strategy for the future of the gaming sector in "A Better Balance: Nova Scotia's First Gaming Strategy." This gaming strategy includes initiatives that will be implemented in 2005-06 and that will have the impact of reducing NSGC's net income in 2005-06 and future years. The estimated effect in 2005-06 is to reduce net income by $22.0 million and the estimated effect in 2006-07 and future years is to reduce net income by $43.0 million.

NOVA SCOTIA GAMING CORPORATION
Atlantic Lottery Corporation Inc.

Ticket Lottery and Video Lottery Operating Results
For the Year Ended March 31, 2005

	Ticket Lottery	Video Lottery	Total 2005	Total 2004
		(in thousands)		
Ticket lottery sales	$ 200,471	$ ---	$ 200,471	$ 206,281
Ticket lottery sales discounts	451	---	451	141
Prize expense	109,964	---	109,964	114,641
Net ticket lottery sales	90,056	---	90,056	91,499
Net video lottery sales	---	200,229	200,229	182,909
Total net sales	90,056	200,229	290,285	274,408
Retailer commissions	13,661	41,278	54,939	52,762
Ticket costs	5,212	1,948	7,160	6,257
	18,873	43,226	62,099	59,019
Gross profit	71,183	157,003	228,186	215,389
Operating expenses				
Advertising and promotion	3,869	---	3,869	3,158
Communications and relations	178	95	273	336
Depreciation and amortization	3,208	10,636	13,844	12,257
Development and recruitment	205	106	311	401
Equipment and maintenance	886	618	1,504	1,580
General and professional services	708	206	914	873
Lease	3,274	557	3,831	3,075
Movement and storage	607	88	695	504
Occupancy cost	843	451	1,294	1,270
Other expenses	163	70	233	179
Research and development	456	117	573	448
Retailer player support	258	100	358	423
Salaries and benefits	7,339	4,037	11,376	12,096
Supplies	181	75	256	212
Telecommunication	2,450	250	2,700	2,621
Travel and vehicle	451	306	757	988
Total operating expenses	25,076	17,712	42,788	40,421
Operating profit	46,107	139,291	185,398	174,968
Other income (expenses)	(480)	1,981	1,501	52
Profit before other distributions	45,627	141,272	186,899	175,020
HST expense	4,966	8,036	13,002	11,917
Federal contribution	956	681	1,637	1,605
Charity non-profit	50	---	50	35
Retailer bonus	3,631	---	3,631	5,185
Net profit	$ 36,024	$ 132,555	$ 168,579	$ 156,278

NOVA SCOTIA GAMING CORPORATION

Halifax Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Revenue		
Casino revenue	$ 66,104	$ 64,664
Beverage, food and other revenue	7,685	7,222
	73,789	71,886
Expenses		
Amortization	5,838	5,838
Capital Replacement Reserve (Note 3)	1,107	1,078
General administration and marketing	10,499	9,468
Harmonized Sales Tax	4,265	4,557
Interest	5,080	6,664
Other expenses including cost of beverage and food	4,453	4,256
Premise expense	2,818	2,991
Salaries and benefits	19,960	20,519
Win tax	13,221	12,933
	67,241	68,304
Net income	6,548	3,582
Win tax	13,221	12,933
Total Payment to Province	$ 19,769	$ 16,515

NOVA SCOTIA GAMING CORPORATION

Sydney Casino Nova Scotia
Operating Results
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Revenue		
Casino revenue	$ 18,890	$ 21,618
Beverage, food and other revenue	1,790	1,873
	20,680	23,491
Expenses		
Amortization	490	490
Capital Replacement Reserve (Note 3)	1,142	502
General administration and marketing	2,386	2,512
Harmonized Sales Tax	1,195	1,286
Interest	252	523
Operator fee (Note 3)	1,076	1,334
Other expenses including cost of beverage and food	1,272	1,202
Premise expense	700	709
Salaries and benefits	6,354	6,810
Win tax	3,778	4,324
	18,645	19,692
Net income	2,035	3,799
Win tax	3,778	4,324
Total Payment to Province	$ 5,813	$ 8,123

NOVA SCOTIA GAMING CORPORATION

Other Revenues and Expenses
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Other Revenues	$ 210	$ 264
Other Expenses		
Special payments and bonus commissions (Note 5)	201	203
Nova Scotia Harness Racing Fund contribution (Note 12)	750	750
Management Expenses		
Advertising	26	5
Amortization	23	27
Directors fees	87	73
Harmonized Sales Tax	327	220
Membership dues	10	11
Occupancy taxes	7	6
Office and miscellaneous	67	71
Office equipment	45	47
Periodicals	20	13
Postage and freight	14	8
Printing and stationery	27	20
Professional and other fees	824	498
Rent	122	122
Salaries and benefits	1,280	1,039
Telecommunications	25	21
Training	54	32
Travel	92	61
	3,050	2,274
Total Other Expenses	$ 4,001	$ 3,227

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of the Office of Health Promotion

I have audited the balance sheet of the Nova Scotia Gaming Foundation for the year ended March 31, 2005, and the statement of operations and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2005, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 16, 2005

NOVA SCOTIA GAMING FOUNDATION

Balance Sheet
as at March 31, 2005

		2005		2004
ASSETS				
Current Assets				
Cash	$	3,650,571	$	4,602,654
Accounts receivabe.		---		1,866
Accrued interest.		6,994		7,943
Deposits.		---		17,776
Due from Nova Scotia Gaming Corporation		71,562		85,469
	$	3,729,127	$	4,715,708
LIABILITIES				
Current Liabilities				
Accounts payable	$	13,959	$	51,757
Grants payable		460,118		240,093
		474,077		291,850
Long-term Grants Payable		273,523		182,990
Fund Balance		2,981,527		4,240,868
	$	3,729,127	$	4,715,708

Statement of Operations,
for the year ended March 31, 2005

		2005		2004
Revenues				
Nova Scotia Gaming Corporation.	$	476,530	$	457,274
VLT retailers		476,530		457,274
Interest		84,555		120,631
Conference Registration.		32,345		---
		1,069,960		1,035,179
Expenses				
Grants		1,526,856		457,297
Board meetings.		26,988		23,753
Committee meetings		765		12,294
Administrative salaries and benefits.		157,220		36,430
Travel		3,352		1,995
IT hardware and supplies		2,785		---
Professional fees.		72,745		135,999
Office furnishings and rent.		38,140		10,767
Conference Expense		500,450		---
		2,329,301		678,535
Excess (deficiency) of revenues over expenses		(1,259,341)		356,644
Fund balance, beginning of year		4,240,868		3,884,224
Fund balance, end of year	$	2,981,527	$	4,240,868

NOVA SCOTIA GAMING FOUNDATION

Statement of Cash Flows
for the year ended March 31, 2005

	2005	2004
Cash Flows from (used by) Operating Activities . . . . $	(1,259,341) $	356,644
Add (deduct) changes in non-cash working capital		
Change in accounts receivable	1,866	(1,866)
Change in deposits.	17,776	(17,776)
Change in accrued interest	949	2,669
Change in due from Nova Scotia Gaming Corporation	13,907	(11,573)
Change in accounts payable	(37,798)	40,870
Change in grants payable.	220,025	(253,171)
	216,725	(240,847)
Increase in long-term grants payable	90,533	(53,767)
Increase (decrease) in cash	(952,083)	62,030
Cash, beginning of year	4,602,654	4,540,624
Cash, end of year . . . . $	3,650,571 $	4,602,654

NOVA SCOTIA GAMING FOUNDATION

Notes to Financial Statements
For the Year Ended March 31, 2005

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the Gaming Control Act, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the Nova Scotia Gaming Foundation Regulations by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. In December 2002, the Office of Health Promotion was created and responsibility for the Foundation was transferred from the Department of Health to this portfolio. The Foundation is managed by a Board of Directors.

3. Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

4. Comparative Figures

Certain of the comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.

5. Subsequent Event

A memorandum of agreement was concluded effective April 1, 2005 between the Foundation and the Office of Health Promotion to ensure clarity of understanding of mandate, roles and responsibilities and relationship between the parties. The agreement includes a clearer definition of the types and amounts of grants to be provided in the future and requirement for segregated funds. In the future, grants up to the total amount of annual revenue less administrative costs, will be desbursed as follows:

- Knowledge development, translation and dissemination and community capacity building in problem gambling	37.5%
- District Health Authority directed operational funding	50.0%
- Special Funding allocation to Office of Health Promotion for addiction-related priorities	12.5%

AUDITORS' REPORT

To the Shareholder of the
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2004 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Fund'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 Fund as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Chartered Accountants

April 29, 2005

NOVA SCOTIA GOVERNMENT FUND LIMITED

Balance Sheet
December 31, 2004

	2004	2003
ASSETS		
Cash and cash equivalents	$ 3,025,875	$ 3,488,817
Funds designated for investment (Note 3)	7,180,708	18,200,000
Prepaid expenses	43,570	---
Interest receivable	3,837	160,633
Deferred financing costs	230,710	642,494
	$ 10,484,700	$ 22,491,944
LIABILITIES		
Accounts payable and accrued liabilities	$ 8,270	$ 86,582
Notes payable (Note 4)	10,250,000	21,500,000
	10,258,270	21,586,582
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	1	1
Retained earnings	226,429	905,361
	226,430	$ 905,362
	$ 10,484,700	$ 22,491,944

Contingency (Note 4)

Statement of Operations and Retained Earnings
Year Ended December 31, 2004

	2004	2003
Revenue		
Interest	$ 295,081	$ 760,991
Expenses		
Interest	450,514	749,822
Amortization	411,784	428,329
Administration fees	100,782	103,683
Professional fees	10,868	9,258
Bank charges	65	10
	974,013	1,291,102
Net loss	(678,932)	(533,111)
Retained earnings, beginning of year	905,361	1,438,472
Retained earnings, end of year	$ 226,429	$ 905,361

NOVA SCOTIA GOVERNMENT FUND LIMITED

Statement of Cash Flows
Year ended December 31, 2004

	2004	2003
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net loss	$ (678,932)	$ (533,111)
Amortization.	411,784	428,329
Changes in non-cash operating items	3,879,206	(228,630)
	3,612,058	(333,412)
Financing		
Repayment of notes	(11,250,000)	---
Net cash outflow.	(7,637,942)	(333,412)
Cash and cash equivalents, beginning of year	10,663,817	3,822,229
Cash and cash equivalents, end of year	$ 3,025,875	$ 3,488,817

	2004	2003
Cash and cash equivalents represented by:		
Cash in bank	$ 21,135	$ 105,245
Province of Nova Scotia promissory notes (unsecured)	3,004,740	3,383,572
	$ 3,025,875	$ 3,488,817
Supplementary cash flow information:		
Cash interest paid	$ 489,084	$ 805,988

Notes to the Financial Statements
December 31, 2004

1. THE FUND

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash and cash equivalents
Cash and cash equivalents consist of cash on deposit with a financial institution and Province of Nova Scotia promissory notes (unsecured).

Deferred financing costs
Financing costs are deferred and amortized on a straight-line basis over the estimated term of the notes payable.

Use of accounting estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. FUNDS DESIGNATED FOR INVESTMENT

The December 31, 2003 balance of $18,200,000 includes $11,025,000 related to an investment with Alderney Landing Limited and Nova Scotia Learning Incorporated and $7,175,000 related to an investment with Educational Services & Products (NS) Limited. During 2004 the investment relating to Alderney Landing Limited and Nova Scotia Learning Incorporated matured and the investors were repaid.

4. NOTES PAYABLE

The notes payable are unsecured and bear interest at the rate of 1% annually. The Immigration Act of Canada (the "Act") stipulates that the funds of an investor are to be invested within nine months of receipt. However, the Fund did not meet this requirement for the majority of the funds received. The Fund was required to invest the funds in a minimum of two qualifying investments. An initial investment of $11,025,000 was made in Alderney Landing Limited and Nova Learning Limited in 1999. This met the investment requirement for 63 of the Fund's 104 notes.

On March 27, 2002, when 18 of these notes had been outstanding for five years and nine months, these were repaid. Citizenship and Immigration Canada ("CIC") objected to further repayments until completion of the five-year investment requirement under the Act.

After consulting with CIC, all investors were offered two alternatives after their notes had been outstanding for more than five years and nine months. Under Alternative 1, repayment dates were extended to the end of the five-year investment period with interest increased to the Province of Nova Scotia bond rate. Under Alternative 2, each investor, through an agent, was permitted to receive the proceeds of a loan from the Royal Bank of Canada, guaranteed by the Province of Nova Scotia in an amount not to exceed $240,000. Interest on the notes of these investors was increased to an amount equivalent to the cost of the loan. When the Fund is permitted to repay the notes to investors, the proceeds are used first to repay the Royal Bank of Canada with any remaining balance going to the investor or as the investor may direct.

During 2004, the notes of the remaining 45 investors whose monies had been placed in the first investment were repaid at which time any loans borrowed on behalf of these investors from the Royal Bank of Canada were repaid.

A second investment was authorized by the Fund in June 2000 in the amount of $7,175,000 to Education Services an Products (NS) Limited to meet the investment requirements of the remaining 41 notes which remained outstanding on December 31, 2004. Following discussions with CIC, the Fund has agreed that the investment date relating to the second investment will be considered to be May, 2002 with the result that these 41 notes may not be repaid until May, 2007.

On December 31, 2004, there were outstanding loans with the Royal Bank of Canada totalling $8,900,000 for 37 investors pursuant to Alternative 2. Alternative 1 applied to two investors and the notes of the remaining two investors had not matured at that date.

5. SHARE CAPITAL

	2004	2003
Authorized:		
40,000 Common shares with no par value		
Issued:		
100 Common shares	$ 1	$ 1

The 100 common shares issued are held in trust for the Province of Nova Scotia by theMinister of Finance.

6. FINANCIAL INSTRUMENTS

The fair value of the Fund's financial instruments approximate their carrying values given their short-term maturities.

7. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Harness Racing Incorporated as at March 31, 2005 and the statement of income for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 13, 2005

NOVA SCOTIA HARNESS RACING INCORPORATED

Balance Sheet
As At March 31, 2005

ASSETS

	2005	2004
	(in thousands)	
Current		
Bank	$ ---	$ ---
	---	---

LIABILITIES

	2005	2004
Current		
Accounts payable	$ ---	$ ---
	$ ---	$ ---

Income Statement
For the Year Ended March 31, 2005

	2005	2004
	(in thousands)	
Revenue		
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation	$ 750	$ 750
Expenses		
Contribution to NS Department of Agriculture & Fisheries	750	750
	750	750
Excess of revenue over expenses	$ ---	$ ---

See accompanying notes to the financial statements

NOVA SCOTIA HARNESS RACING INCORPORATED

Notes to the Financial Statement
For the Year Ended March 31, 2005

1. Description of the Business

Nova Scotia Harness Racing Incorporated was incorporated under the Companies Act on March 1, 1999 and designated as a crown corporation on April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund, a special fund created by the Nova Scotia Harness Racing Incorporated Regulations.

In March 2004, the Government decided to provide $750,000 in 2004-05 (2003-04 - $750,000) to support the harness racing industry in Nova Scotia. $750,000 was provided by the Nova Scotia Gaming Corporation to the Nova Scotia Harness Racing Fund and paid by Nova Scotia Harness Racing Incorporated to the Department of Agriculture and Fisheries. The Department of Agriculture and Fisheries managed the monies received from the Fund and determined how they would be distributed to the industry.

2. Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada A statement of cash flow is not provided as disclosure in the balance sheet and the income statement is considered adequate.

3. Share Capital

The authorized capital of Nova Scotia Harness Racing Incorporated is one common share without nominal or par value, which has been issued to Her Majesty the Queen in Right of the Province of Nova Scotia.

AUDITOR'S REPORT

To the Directors of Nova Scotia Health Research Foundation

We have audited the statement of financial position of the Nova Scotia Health Research Foundation as at March 31, 2005 and the statements of operating support and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Foundation'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 from 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 Foundation as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

HUNTER BELGRAVE ADAMSON
Chartered Accountants

Dartmouth, Nova Scotia
May 31, 2005

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Operating Support and Expenditures
Year Ended March 31, 2005

	2005	2004
OPERATING SUPPORT		
Grant revenue	$ 675,000	$ 675,000
Program sponsorships	36,938	23,428
Investment income	114,529	100,314
	826,467	798,742
OPERATING EXPENSES		
Salaries and benefits	299,346	225,825
Capacity building program	202,024	290,384
Communications, public awareness and research findings	123,687	143,474
Peer review of grant applications	45,512	67,296
Consultants	41,468	90,943
Rent	31,391	9,383
Office supplies	26,887	21,171
Travel and meetings	22,510	20,090
Telephone, fax and website maintenance	21,045	8,512
Knowledge translation	18,491	14,326
Depreciation	10,035	8,767
Networking and promotion	8,614	8,592
Professional development	4,512	975
Insurance	771	566
Regional partnership program	408	1,093
Moving expenses	---	7,928
Contribution to CRTN	---	5,000
Workshops	---	70,060
	856,701	994,385
EXCESS OF EXPENDITURES OVER SUPPORT	$ (30,234)	$ (195,643)

Nova Scotia Health Research Foundation

Statement of Changes in Net Assets
Year Ended March 31, 2005

	Invested in property, plant and equipment	Research Awards	Administration and programs	2005 Total	2004 Total
Balance, beginning of year	$ 47,283	$ 417,996	$ 57,646	$ 522,925	$ 913,049
Excess of expenditures over support	---	---	(30,234)	(30,234)	(195,643)
Support for grants	---	3,825,000	---	3,825,000	3,825,000
Issuance of grants	---	(3,785,546)	---	(3,785,546)	(4,019,481)
Net change in investment in property, plant and equipment					
depreciation	(10,035)	---	10,035	---	---
acquistion of property, plant and equipment.	4,854	---	(4,854)	---	---
Balance, end of year	$ 42,102	$ 457,450	$ 32,593	$ 532,145	$ 522,925

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Financial Position
As At March 31, 2005

	dministration and programs	Research Awards	2005 Total	2004 Total
ASSETS				
Current assets				
Cash.	$ 73,278	$ 518,359	$ 591,637	$ 276,564
Accounts receivable.	24,689	37,174	61,863	33,635
Investments (note 4).	48,743	3,880,758	3,929,501	4,337,116
	146,710	4,436,291	4,583,001	4,647,315
PROPERTY, PLANT AND EQUIPMENT (note 5).	42,102	---	42,102	47,283
	$ 188,812	$ 4,436,291	$ 4,625,103	$ 4,694,598
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 114,117	$ ---	$ 114,117	$ 34,121
Grants payable - current portion.	---	3,302,353	3,302,353	3,248,072
	114,117	3,302,353	3,416,470	3,282,193
GRANTS PAYABLE.	---	676,489	676,489	889,480
	114,117	3,978,842	4,092,959	4,171,673
CONTINGENCY 6				
NET ASSETS				
Net assets invested in property, plant and equipment	42,102	---	42,102	47,283
Net assets restricted.	---	457,450	457,450	417,996
Net assets unrestricted.	32,593	---	32,593	57,646
	74,695	457,450	532,145	522,925
	$ 188,812	$ 4,436,292	$ 4,625,104	$ 4,694,598

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Statement of Cash Flow
Year Ended March 31, 2005

	2005	2004
OPERATING ACTIVITIES		
Working capital from operations		
Excess of expenditures over support . . . . $	(30,234)$	(195,643)
Items not requiring an outlay of cash		
Depreciation and amortization.	10,035	8,767
	(20,199)	(186,876)
Net change in non-cash operating working capital balances		
Accounts receivable.	(28,228)	213,108
Marketable securities - restricted.	456,358	(725,613)
Marketable securities - admin	(48,743)	225,838
Accounts payable and accrued liabilities	79,996	20,673
Grants payable	(158,710)	647,807
	280,474	194,937
FINANCING ACTIVITIES		
Proceeds from support for grants.	3,825,000	3,825,000
Issuance of grants	(3,785,546)	(4,019,481)
	39,454	(194,481)
INVESTING ACTIVITIES		
Additions to capital assets.	(4,854)	(27,874)
	(4,854)	(27,874)
INCREASE (DECREASE) IN CASH	315,074	(27,418)
CASH, BEGINNING OF YEAR	276,564	303,982
CASH, END OF YEAR . . . . $	**591,638 $**	**276,564**

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to the Financial Statements
Year Ended March 31, 2005

1. DESCRIPTION OF ENTITY

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22), was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act, the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health outcome research, health public policy research and medical research.

The accompanying financial statements include only the assets and operations of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Fund Accounting
The Foundation follows the restricted fund method of accounting for contributions.

The Administration & Programs Fund is used to account for the primary operations of the Foundation, including costs related to administration, operations, programs and promotion of the public awareness of the Foundation. Government grants and other income recorded directly by this fund include only those available for unrestricted operating purposes.

The Research Awards Fund is used to account for funds received that are designated for the issuance of research grants including grants for medical, health-outcome, health-services, and public policy research. At the time the research grants are approved, the grant amounts payable are recorded as a reduction of the fund equity.

Revenue Recognition
Contributions are recognized as revenue of the fund to which they relate in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on all investments is allocated to the Administration and Programs fund.

Financial Instruments
The Foundation's financial instruments consist of cash, accounts receivable, investments, grants payable and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values unless otherwise noted.

Investments
Investments are valued at the lower of cost and quoted market value if there is a permanent decline in value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation's management to make use of estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, and are amortized using the declining balance method except for leasehold improvements are amortized by the straight-line method over the term of the lease with a full year of amortization recorded in the year of acquisition.

3. DISTRIBUTION OF FUNDING

The annual grant made to the Foundation, which is provided from funds appropriated by the Nova Scotia legislature, shall be distributed in accordance with the objects of the Foundations as follows:

(a) 40% shall be spent on medical research
(b) 15% shall be spent on health-outcome research
(c) 15% shall be spent on health-services research
(d) 15% shall be spent on health-public policy research
(e) a maximum of 15% may be spent on the administration of the Foundation and 5% of the total amount spent on administration shall be spent on increasing the public knowledge and awareness of the Foundation.

If less than the total money allocated is spent in any of the categories, the remaining portion shall be reallocated to one of the remaining categories in a manner determined by the Board.

4. INVESTMENTS

The Foundation has an investment policy in place which restricts the types of investments it can hold. The Foundation is not permitted to invest in unsecured instruments or non-interest bearing accounts. The Foundation is not permitted to invest directly in mortgages, equities, real estate, foreign investments, and derivative securities. The Foundation is permitted to invest in mutual funds that hold these classes of investment investments.

At year end the Foundation's investments consisted of fixed income investments, mutual funds and segregated funds. At March 31, 2005 the market value of the investments was $3,940,346 and the book value of the investments was $3,929,501. At March 31, 2004 the Foundation's investments consisted of a money market fund with a book value and market value of $57.37 and a compound GIC with a book value, including accrued interest, of $4,337,116 maturing on Oct 31, 2004 with a maturity value of $4,375,229 and bearing interest at 1.5%.

5. PROPERTY, PLANT AND EQUIPMENT

	2005			2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates
Computer	$ 24,528	$ 13,480	$ 11,048	$ 11,576	30%
Equipment and furniture	33,617	17,140	16,477	19,033	20%
Leasehold improvements	20,969	6,392	14,577	16,674	20%
	$ 79,114	$ 37,012	$ 42,102	$ 47,283	

6. COMMITMENTS

The Foundation provides grant funding through the Nova Scotia - Canadian Institute of Health Research Regional Partnership Program, providing funding of $500,000 per year. Grants issued under this program are expensed as applications are provided. Of the current year's funding commitment, $324,877 has been awarded.

7. INCOME TAX STATUS

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

8. ECONOMIC DEPENDENCE

The Province of Nova Scotia provides the Foundation with funding necessary to provide grant support. The Foundation's ability to issue research grants is currently dependant on receiving adequate funding from the Province of Nova Scotia.

AUDITORS' REPORT

To the Members of the Legislative Assembly; and
To the Minister of Community Services

I have audited the consolidated balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 2005, and the consolidated statements of revenues and expenses for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 24, 2005

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Balance Sheet
as at March 31, 2005

		2005		2004 Restated (Note 16)
ASSETS				
Current assets				
Cash, accounts receivable and accrued interest	$	10,546,670	$	8,662,361
Current portion of mortgages receivable (Note 7)		3,042,954		2,853,180
		13,589,624		11,515,541
Mortgages receivable (Note 7)		43,925,161		44,321,653
Investment in land and social housing (Note 8)		354,698,017		375,200,959
Fund for future social housing expenditures (Note 4)		27,256,473		16,499,773
	$	439,469,275	$	447,537,926
LIABILITIES				
Current liabilities				
Payables and accruals	$	11,908,360	$	12,850,837
Current portion of long-term debt (Note 9)		12,353,623		11,822,892
Deferred federal contributions (Note 4)		27,256,473		16,499,773
		51,518,456		41,173,502
Long-term debt (Note 9)		314,084,585		320,993,963
Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 10)		11,380,847		13,205,793
Partner's equity and minority interest (Note 12)		4,750,674		4,219,932
Housing Development Corporation Fund (Note 6)		57,734,713		67,944,736
	$	439,469,275	$	447,537,926

Commitments and Contingencies (Note 10)

The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Statement of Revenues and Expenses
for the Year Ended March 31, 2005

	2005	2004 Restated (Note 16)
Revenues		
Rental revenue	$ 50,385,637	$ 49,437,688
Interest revenue	2,765,857	2,359,512
Land sales	4,918,147	729,527
Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 4)	53,997,234	79,957,942
Recoveries from provincial government departments and municipalities (Note 5)	38,721,160	13,726,681
	150,788,035	146,211,350
Expenses		
Administration fee	1,981,410	2,423,081
Amortization of investment in social housing	11,807,275	10,022,570
Cost of land sales	5,890,852	1,705,428
Operating costs, Housing Authorities (Note 13)	66,202,669	68,817,542
Interest on long-term debt	28,969,561	28,948,798
Housing Renovation and Affordable Housing	11,350,241	10,175,664
Transfer to Housing Services	24,905,797	24,690,287
Decrease in provision for doubtful accounts	(319,770)	(572,020)
	150,788,035	146,211,350
Excess of revenues over expenses	$ ---	$ ---

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements
March 31, 2005

1. Status of the Corporation

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

Basis of Consolidation

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Housing Authorities which are controlled by the Corporation including all program recoveries and expenses administered under the Social Housing Agreement, the Housing Renovation Agreement and the Affordable Housing Agreement.

Transactions and account balances between the Corporation and the Housing Authorities have been eliminated in these consolidated financial statements.

2. Significant Accounting Policies

The policies used in preparing the Corporation's consolidated financial statements are in accordance with accounting principles generally accepted in Canada.

Statement of Cash Flows
Except for funds held by the Regional Housing Authorities, the Housing Development Corporation holds no cash. All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A Statement of Cash Flows has not been provided because it would not provide meaningful additional information.

Mortgages Receivable
Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 7 to the financial statements.

A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgages receivable portfolio. These insurance fees are retained as reserves and are charged with the losses on bad debts when realized.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

Investment in Land and Social Housing
Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration, and interest during construction less accumulated amortization.

The capital cost of social housing properties is amortized, using the sinking fund method, by the amount equal to the principal repaid on the related long-term debt financing the project.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

The Corporation has established reserves for risks associated with reduction in the value of land developments.

Recoveries From CMHC

	2005	2004 Restated (Note 16)
Social Housing	$ 45,760,816	$ 72,213,205
Housing Renovation and Affordable Housing	8,236,418	7,744,737
	$ 53,997,234	$ 79,957,942

Social Housing
Pursuant to the Social Housing Agreement executed by the Corporation and Canada Mortgage and Housing Corporation (CMHC) which took effect October 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

Housing Renovation and Affordable Housing
Pursuant to the Home Renovation and Affordable Housing Agreements executed by the Corporation and CMHC, contributions made by CMHC are used by the Corporation to meet expenses of these programs.

Forgivable Loans
The Corporation has chosen to account for all forgivable loans as mortgages receivable net of an equivalent amount of reserves.

Use of Accounting Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

4. **Fund for Future Social Housing Expenditures**

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures (FFSHE) and Deferred Federal Contributions (DFC).

		2005		2004
Opening Balance, April 1	$	16,499,773	$	31,882,286
Gross public housing and other eligible				
expenditures per Department of Community Services		(80,645,216)		(80,113,511)
Less: Provincial contribution		28,764,757		1,330,000
Less: Municipal contribution		6,119,643		6,570,306
Expenses withdrawn from FFSHE		(45,760,816)		(72,213,205)
CMHC social housing transfer per agreement		55,849,027		56,169,157
		10,088,211		(16,044,048)
Interest earned by the fund		668,489		661,535
Net increase (decrease) in the fund		10,756,700		(15,382,513)
Closing Balance, March 31	$	27,256,473	$	16,499,773

Recoveries from CMHC are subject to an independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

5. **Recoveries from Provincial Government Departments and Municipalities**

Costs incurred by the Corporation for Housing Renovation and Affordable Housing agreements and and the amortization of the provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department or municipality:

		2005		2004 Restated (Note 16)
Department of Community Services,				
Social Housing	$	28,764,757	$	1,330,000
Home Renovation and Affordable Housing		3,113,822		2,430,927
Recoveries for land losses and bad debts		(1,011,813)		2,231,124
Department of Justice		1,164,324		1,164,324
Service Nova Scotia		570,427		---
Municipal share of public housing costs		6,119,643		6,570,306
	$	38,721,160	$	13,726,681

6. **Housing Development Corporation Fund**

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to $175 million.

7. Mortgages Receivable

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately $259,692 including interest. Interest rates vary from 6.5% to 13.05%, with renewal dates ranging from April 1, 2005 to October 1, 2012. The mortgages are secured by registered first mortgages on the related properties.

	2005	2004
Mortgages receivable	$ 49,317,902	$ 49,773,777
Less: Current portion due within one year	3,042,954	2,853,180
Provision for concessionary assistance and doubtful recoveries	2,349,787	2,598,944
	5,392,741	5,452,124
	$ 43,925,161	$ 44,321,653

Estimated principal repayments for the next four years are as follows:

2006-2007	$ 2,850,058
2007-2008	$ 2,891,487
2008-2009	$ 2,969,712
2009-2010	$ 3,078,401

8. Investment in Land and Social Housing

	2005	2004
Investment in land	$ 2,420,646	$ 6,725,450
Investment in social housing	358,624,438	373,937,571
	361,045,084	380,663,021
Less: Provision for doubtful land recoveries	2,795,792	1,887,758
Provision for fire and liability losses	3,551,275	3,574,304
	6,347,067	5,462,062
	$ 354,698,017	$ 375,200,959

9. Long -Term Debt

	2005	2004
Notes payable	$ 257,581,282	$ 260,022,577
Mortgages payable	68,856,926	72,794,278
	326,438,208	332,816,855
Less: Current portion due within one year	12,353,623	11,822,892
	$ 314,084,585	$ 320,993,963

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly instalments of interest and principal.

Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2005 to January 1, 2034.

Estimated principal repayments for the next four years are as follows:

2006-2007	$ 13,085,078
2007-2008	$ 13,213,186
2008-2009	$ 12,637,433
2009-2010	$ 12,861,066

10. Commitments and Contingencies

Pursuant to the October 1, 1997 Social Housing Agreement, CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2005 there were 494 loans with an approximate outstanding balance of $150,349,118 (2004 - $162,035,973). In the event of default the Corporation would gain title to the assets and act toward mitigation of any loss. The Corporation has reserved for any possible losses as noted.

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2005 a total of 22 (2004 - 24) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $14,183,098 (2004 - $14,837,694).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of $11,380,847 (2004 - $13,205,793) which includes a reserve for risks associated with interest fluctuation of $3,200,000 (2004 - $3,200,000). In addition, the Corporation has a provision of $3,000,000 (2004 - $3,100,000) self insurance included in the provision for fire and other social housing losses as disclosed in Note 8.

There are various claims, which certain Housing Authorities are involved with arising out of the ordinary course of operations. Management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty. The Corporation has established a provision for fire and liability losses as disclosed in Note 8 of these consolidated financial statements.

11. Related Party Transactions

Included in Note 5 of these consolidated financial statements are recoveries from various Nova Scotia government departments and municipalities related to the Corporation by virtue of common control. Included in the long-term debt of the Corporation are notes payable owing to the Department of Finance totalling $29,230,650.

12. Partners' Equity (Deficiency) and Minority Interest

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services - Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustee, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.

13. Operating Costs (Housing Authorities and Rural and Native)

	2005	2004
Administration	$ 10,795,936	$ 13,655,102
Maintenance	16,907,628	16,561,092
Modernization and improvements	7,653,570	7,644,941
Municipal taxes	7,678,391	7,739,986
Other operating	8,086,436	9,094,512
Utilities	15,080,708	14,121,909
	$ 66,202,669	$ 68,817,542

14. Future Employee Benefits

In 2004, the Corporation recorded an estimated liability for Public Service awards of $1,060,968 accruing to employees in the Regional Housing Authorities at retirement. An actuarial valuation of the service award liability has not been performed.

The Housing Authorities each have defined contribution pension plans available to eligible employees. As a consequence there is no actuarial liability. The benefit is expensed by the employer in the year contributions are paid.

15. Tangible Capital Assets

The investment in social housing disclosed in Note 8 of $358,624,438 (2004 - $373,937,571) includes social housing properties acquired through the Social Housing Agreement from the Housing Development Fund and from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included cost of land and buildings. Net book value was amortized over the years. Amortization includes amounts related to land which is not in accordance with generally accepted accounting principles. Historical information related to the original cost of land versus buildings is not available.

On a carry forward basis, future construction and or acquisitions will be separated as to land and building in accordance with generally accepted accounting principles.

The tangible capital assets consolidated from the Housing Authorities' financial statements are included in the net book value above. The rates and method of depreciation used to amortize these assets over their estimated useful lives are as follows:

Buidings	5% declining balance
Equipment	20% declining balance
Computer equipment	30% declining balance
Vehicles	30% declining balance
Computer software	25% declining balance

The following information on cost, accumulated amortization and net book value is available for those assets:

		Accumulated	Net Book Value	
	Cost	Amortization	2005	2004
Buidings	$ 7,175,661	$ 2,204,980	$ 4,970,681	$ 5,074,021
Equipment	93,680	75,340	18,340	23,230
Vehicles.	1,600,406	1,351,715	248,691	437,642
Computer Software	6,151,513	2,691,287	3,460,226	4,613,654
Total	$ 15,021,260	$ 6,323,322	$ 8,697,938	$ 10,148,547

16. Change in Accounting Policy

The Corporation has changed its accounting policies to include in these financial statements the results of the activities related to the Affordable Housing and Housing Renovation Programs. Comparative figures have been restated to reflect this change. This change resulted in an increase in the revenues and expenses recorded by the Corporation in the current year of $11,350,241 (2004 - $10,175,644), an increase in assets of $3,697,361 (2004 - $955,833) and liabilities of $1,491,958 (2004 - $1,341,061), and an increase in the Corporation's fund balance of $2,205,403 (2004 - decrease of $385,228).

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of the Office of Economic Development

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2005 and the consolidated statements of loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 20, 2005

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Balance Sheet
March 31, 2005

ASSETS

	2005	2004
Current		
Cash and cash equivalents	$ 856,065	$ 1,361,308
Receivables and prepaids	1,537,441	1,659,845
Inventories	77,488	86,526
Current portion of lease improvements and inducements	111,173	14,150
	2,582,167	3,121,829
Assets held for resale (Note 3)	202,288	170,776
Receivables (Note 4)	85,803	24,492
Property and equipment (Note 5)	6,792,559	5,091,945
Lease improvements and inducements (Note 6)	1,087,410	502,467
Investments and funds		
Nova Scotia First Fund (Note 7)	16,876,385	16,355,361
Research Endowment Fund (Note 8)	661,182	661,182
Other investments (Note 9)	500,876	502,756
	26,004,215	23,138,203
	$ 28,788,670	$ 26,430,808

LIABILITIES

	2005	2004
Current		
Payables and accruals	$ 1,525,305	$ 638,857
Payable to Province of Nova Scotia	3,109,824	3,967,458
Deferred revenue	85,221	202,560
Current portion of long term debt	100,535	34,627
	4,820,885	4,843,502
Employee future benefits (Note 10)	706,683	554,805
Long term debt (Note 11)	9,999,311	8,019,537
Deferred government contributions	1,450,967	427,142
	16,977,846	13,844,986

EQUITY

	2005	2004
Capital stock and contributed surplus (Note 13)	19,110,755	19,110,755
Deficit	(7,299,931)	(6,524,933)
	11,810,824	12,585,822
	$ 28,788,670	$ 26,430,808

Commitments (Note 7)
Contingency (Note 7)
Subsequent event (Note 18)

See accompanying notes to the consolidated financial statements.

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statements of Loss and Deficit
Year Ended March 31, 2005

	2005	2004
Revenues and contributions		
Government contributions (Note 12)	$ 2,082,312	$ 2,485,396
Mentoring	357,420	270,115
Incubation	776,237	592,966
Investment	7,500	57,844
Technical services	336,298	225,111
	3,559,767	3,631,432
Expenses		
Mentoring	765,054	1,617,876
Incubation	1,028,787	978,928
Investment	342,823	314,530
Technical services	283,349	190,512
Corporate services	1,749,677	1,423,393
	4,169,690	4,525,239
Operating loss	(609,923)	(893,807)
Depreciation and amortization	(365,128)	(290,752)
Interest expense	(380,676)	(3,045)
Investment income (loss)		
Nova Scotia First Fund	438,803	(21,513)
Other	80,226	(19,998)
	(226,775)	(335,308)
Loss before unusual item and discontinued operations	(836,698)	(1,229,115)
Unusual item (Note 14)	---	288,545
Loss before discontinued operations	(836,698)	(940,570)
Discontinued operations (Note 15)	61,700	(11,286)
Net loss	$ (774,998)	$ (951,856)
Deficit, beginning of year	$ (6,524,933)	$ (5,573,077)
Net loss	(774,998)	(951,856)
Deficit, end of year	$ (7,299,931)	$ (6,524,933)

See accompanying notes to the consolidated financial statements.

NOVA SCOTIA INNOVATION CORPORATION

Consolidated Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	$ (774,998)	$ (951,856)
Depreciation and amortization	365,128	290,752
Deferred government assistance recognized	(130,740)	(85,214)
Nova Scotia First Fund (income) loss	(438,803)	21,513
Increase in employee future benefits	151,878	130,858
Accrued interest on Province of Nova Scotia - NSFF loan	318,501	---
Loss on disposal of assets held for resale	66,157	---
Writedown of other investments	1,880	232,452
	(440,997)	(361,495)
Change in non-cash operating working capital (Note 16)	(54,116)	676,788
	(495,113)	315,293
Investing		
Proceeds from NSFF portfolio investments	1,106,234	999,567
Acquisitions of NSFF investments	(1,106,234)	(999,567)
Additions to NSFF portfolio	(82,221)	(8,000,000)
Reduction of interest in The Decision Point (Note 16)	---	100,708
Long term receivable payments received	24,492	52,716
Property and equipment purchases	(2,014,144)	(83,768)
Assets held for resale purchases	(255,118)	(170,776)
Increase in lease improvements and inducements	(636,950)	(392,808)
Additions to long term receivables	(85,803)	---
Proceeds from sale of assets held for resale	157,439	---
	(2,892,305)	(8,493,928)
Financing		
Long term debt repayments	(67,199)	(26,690)
Deferred government contributions	1,154,992	133,902
Decrease in equipment lease obligation	(5,618)	(1,441)
Loan from Province of Nova Scotia	1,800,000	8,000,000
	2,882,175	8,105,771
Decrease in cash and cash equivalents	(505,243)	(72,864)
Cash and cash equivalents,		
Beginning of year	1,361,308	1,434,172
End of year	$ 856,065	$ 1,361,308

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements
March 31, 2005

1. Authority

The Nova Scotia Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. InNOVAcorp is exempt from income tax under section 149 of the Income Tax Act.

2. Summary of significant accounting policies

InNOVAcorp's financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

a. Principles of consolidation

The consolidated financial statements include the accounts of InNOVAcorp and its wholly owned subsidiaries, 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited.

b. Use of estimates

In preparing InNOVAcorp's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

c. Revenue recognition

Mentoring revenue includes consulting services provided and is recorded as the services are provided.

Incubation revenue is recorded as earned and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administrative services.

Investment revenue includes interest on cash balances, short term investments and bonds receivable, including imputed interest on zero coupon bonds and residuals, dividends and capital gains and losses. Interest income is accrued daily, dividend income is recorded on the ex-dividend date, and capital gains and losses are recognized on the date of sale.

Technical services includes engineering services and products provided to third parties by InNOVAcorp staff and products manufactured for resale. Engineering services revenue is recorded as the related services are performed. Work in process is recorded monthly based on percentage complete. Product sales are recorded on the earlier of the date of shipment to the customer or the transfer of title to the customer.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

e. Inventory

Inventory is valued at the lower of cost or net realizable value.

f. **Long term investments**

Venture capital investments made through the Nova Scotia First Fund are carried at lower of cost and net realizable value. InNOVAcorp does not have a controlling interest over the investee companies, except in the case of Mailworkz in which it does not intend to maintain this control position over the long term. Accordingly, the investment in this investee company is carried at its cost of $530,000 and the accounts are not consolidated.

Investments are written down to recognize the loss where management has determined a decline in value that is considered to be other than temporary. Fixed income investments of the Nova Scotia First Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

g. **Property and equipment**

The cost of property and equipment is being depreciated over their estimated lives at the following rates:

Buildings	4%	declining balance
Machinery and equipment	20%	declining balance
Computer equipment	30%	declining balance
Furniture and fixtures	20%	declining balance
Site improvements	8%	declining balance
Management Information Systems	10%	straight line
Leased equipment	25%	straight line

h. **Donated assets**

The donation of assets to InNOVAcorp is recorded as a capital contribution. These assets are recorded at their fair market value with an offsetting increase to a contributed capital account identifying the source of the donation. These assets are depreciated over their estimated economic life as described in Note 2(g) above. There were no assets donated in either 2004 or 2005.

i. **Government contributions**

Government contributions used for the acquisition of property and equipment are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

j. **Translation of foreign currencies**

Monetary assets and liabilities are translated at the year end rate of exchange. Revenue and expenses are translated at the rates prevailing when the transaction occured. Non-monetary assets and liabilities, as well as revenue and expense transactions denominated in foreign currencies, are translated at the rate prevailing at the time of the transaction. Translation gains and losses are recognized as income or loss in the period in which they occur.

k. **Lease improvements and inducements**

Costs incurred or paid to tenants to renovate premises are recorded as deferred lease improvements and amortized over the life of the lease.

Free or reduced rents provided to tenants during the period are recorded as deferred lease inducements and amortized over the life of the lease.

l. Employee future benefits

InNOVAcorp has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

InNOVAcorp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses or retirees. The program is funded each year by the payment of the required premiums.

InNOVAcorp accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The cost of the benefits earned by employees is determined annually using the projected benefit method pro rated on service and management's best estimate of probability of retirement, retirement ages and expected health care costs.

- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10.93 years (2004 - 12.78 years).

- The transitional obligation resulting from the implementation of the policy is amortized over the average remaining service period of active employees at inception, which is 15.87 years.

Employees of InNOVAcorp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions and the employer's contributions are included in the expenses of InNOVAcorp. The Province of Nova Scotia administers the Public Service Superannuation Fund and is responsible for any unfunded liability.

InNOVAcorp has an unfunded Supplementary Employee Retirement Plan covering its permanent employees whose salaries exceed the maximum on which contributions to a registered pension plan may be deducted. Eligible employees receive an amount equivalent to the registered pension they would have earned on any excess earnings upon retirement on the same terms as are contained in the Province's registered pension plan.

m. Financial instruments

InNOVAcorp's financial instruments consist of cash and cash equivalents, receivables, investments and funds, payables and long term debt. It is management's opinion that InNOVAcorp is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, exept for the venutre capital investments, and the Province of Nova Scotia loans (Note 11) for which it is not practical to determine market value.

n. Non-monetary transactions

Certain companies in which InNOVAcorp holds envestments through the NSFF provide shares in exchange for consulting and mentoring services. The value of the transaction is established by the fair value of fees charged for such services and is agreed by both parties. The number of shares is determined by share proces confirmed through third party transactions.

3. Assets held for resale

During the year, InNOVAcorp purchased assets from a receivership sale for $255,119. A portion of these assets were sold for nil proceeds to a third party.

InNOVAcorp agreed with a tenant to purchase the remaining assets. The details of the purchase are yet to be finalized. The resulting gain or disposal costs on this sale have not been reported in these financial statements.

4. Receivables

	2005	2004
Leases receivable	$ 177,748	$ 67,825
Current portion	91,945	43,333
	$ 85,803	$ 24,492

InNOVAcorp leases equipment under agreements with terms of three to six years. The leases, which transfer substantially all of the risks and benefits incidental to ownership, have been accounted for as sales.

The leases are non-interest bearing and are payable in monthly instalments. The leases are scheduled to be repaid by October 1, 2005 and July 1, 2007 respectively.

5. Property and equipment

	Cost	Accumulated Amortization	2005 Carrying Value	2004 Carrying Value
Land	$ 350,700	$ ---	$ 350,700	$ 350,700
Buildings and site improvements	7,988,188	1,872,763	6,115,425	4,367,267
Machinery, equipment and leased equipment	989,663	801,503	188,160	190,967
Computer equipment	596,883	553,657	43,226	60,562
Furniture and fixtures	231,739	166,903	64,836	77,248
Management information system	160,155	129,943	30,212	45,201
	$ 10,317,328	$ 3,524,769	$ 6,792,559	$ 5,091,945

6. Lease improvements and inducements

	2005	2004
Lease improvements and inducements	$ 1,276,531	$ 542,558
Accumulated amortization	(77,948)	(25,941)
	1,198,583	516,617
Less: current portion	111,173	14,150
	$ 1,087,410	$ 502,467

7. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

During 1996-97, InNOVAcorp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to Aptil 1, 1996 was also transferred to InNOVAcorp. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Valuation Adjustment	2005 Fund Balance	2004 Fund Balance
Beginning, Balance	$ 12,245,415	$ 10,140,069	$ (6,030,123)	$ 16,355,361	$ 8,376,874
Add (Deduct):					
Equity investments . . .	(1,106,234)	1,106,234	---	---	---
Income	438,803	---	---	438,803	(21,513)
Additions	---	82,221	---	82,221	8,000,000
Ending Balance	$ 11,577,984	$ 11,328,524	$ (6,030,123)	$ 16,876,385	$ 16,355,361

InNOVAcorp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred.

As at March 31, 2005 there were $625,000 (2004 - $Nil) approved commitments for the NSFF.

During the year, InNOVAcorp's Board approved a $500,000 allocation to a High Performance Incubation fund. Investments made through this fund range from $50,000 to $150,000 and are targeted at earlier stage opportunities than investments made through the NSFF historically. As at March 31, 2005, $315,000 was invested in such companies.

In 2004, the Province advanced an additional $8,000,000 to InNOVAcorp for the purpose of the NSFF with terms as described in Note 11. Income earned on these funds is included as income of the NSFF. Interest of $318,500 accrued for the year on this advance has been recorded as interest expense and charged to InNOVAcorp's general operations.

During the year, there was an investment of $40,000 which resulted from a non-monetary transaction, as described in Note 2(n).

As at March 31, 2005, the market value of the portfolio investments was $11,879,777.

8. Research Endowment Fund

The Research Endowment Fund was transferred to InNOVAcorp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by InNOVAcorp. The Fund can be used for purposes consistent with the objects of InNOVAcorp.

The funds have been invested in bonds and debentures and their fair market value approximates cost.

9. Other investments

	2005	2004
Applied Microelectronics Incorporated		
490,000 3%, non-cumulative preferred shares	$ 490,000	$ 490,000
Immune Network Ltd.		
1,248,436 common shares	873	2,753
The Decision Point		
100,000 common shares and intellectual property	3	3
Produxys Solutions Inc.		
1,000 common shares	10,000	10,000
	$ 500,876	$ 502,756

Applied Microelectronics Incorporated and Prodyxys Solutions Inc. are carried at cost. Immune Network Ltd. has been written down to reflect the estimated net realizable value.

The Decision Point is accounted for using the equity method of accounting.

10. Employee future benefits

	2005	2004
Long term service award	$ 262,805	$ 324,617
Post retirement benefits	350,367	230,188
Supplementary employee retirement plan	93,511	---
	$ 706,683	$ 554,805

Employees of InNOVAcorp are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an inputed interest charge on the average unfunded liability throughout the period, and an accrual for the awards earned by employees during the period.

The post retirement benefits obligation, based on management's assumptions and calculation, is as follows:

	2005	2004
Balance, beginning of year	$ 230,188	$ 180,089
Current service cost	27,237	29,147
Interest cost	27,653	29,698
Amortization of actuarial loss	78,041	---
Amortization of transitional obligation	29,723	29,065
Less: payments made during the year	(42,475)	(37,811)
Balance, end of year	$ 350,367	$ 230,188

The significant actuarial assumptions adopted by management in measuring the employee future benefits obligation are as follows:

Discount rate	5.21	5.38
Assumed health care cost trend increase	11.00	2.60

InNOVAcorp's net post retirement benefit expense for the year was $162,655 (2004 - $87,910).

During the year, an employee retired who was eligible to collect supplementary employee retirement plan bnefits. The liability recorded represents management's best estimate of the net present value of the future payments to be paid over the lifetime of employee.

11. Long term debt

	2005	2004
Nova Scotia Business Inc. (NSBI)	$ 17,181	$ 45,428
Equipment lease obligations	3,118	8,736
Province of Nova Scotia - NSFF	8,318,500	8,000,000
Province of Nova Scotia - capital project	1,761,047	---
	10,099,846	8,054,164
Less: Current portion	100,535	34,627
	$ 9,999,311	$ 8,019,537

The Province of Nova Scotia advanced $8,000,000 in 2004 to the Nova Scotia First Fund, bearing interest at 3.94%. The loan plus accrued interest is repayable on March 19, 2009 unless InNOVAcorp elects to extend the term for another five years. In the event of a term extension, interest for the next five years will be based on the prevailing market rates and the loan will mature on March 19, 2014.

The 5.5% loan payable to NSBI, a party related by virtue of common ownership with the Province of Nova Scotia, is repayable in monthly principal instalments of $2,500 to October 2005.

The equipment lease obligations bear interest of 10.8% and 13.99% and are repayable in monthly principal instalments of $479 and $136 to 2006 and 2007.

During the year, the Province of Nova Scotia advanced $1,800,000 to InNOVAcorp to fund building improvements. The loan bears interst at 5.6% and is repayable in blended quarterly payments to $44,541 to 2019.

Principal repayments on long term debt for the next five years are as follows:

2006	$ 100,535
2007	$ 86,875
2008	$ 90,789
2009	$ 8,414,482
2010	$ 101,470

12. Government contributions

InNOVAcorp receives an annual contribution from the Province of Nova Scotia as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special projects funding.

Funding related to the acquisition of capital assets is deferred as disclosed in Note 2(i).

Details of funding for the year are as follows:

		2005		2004
Contributions received - Province of Nova Scotia	$	2,220,115	$	2,433,900
Contributions used to finance property and equipment		(268,543)		(33,718)
Amortization of capital contributions		84,282		85,214
		(184,261)		51,496
Net contributions - Province of Nova Scotia	$	2,035,854	$	2,485,396

		2005		2004
Contributions received - Atlantic Canada Opportunities Agency	$	886,022	$	109,978
Contributions used to finance property and equipment		(886,022)		(109,978)
Amortization of capital contributions		46,458		---
		(839,564)	$	(109,978)
Net contributions - Atlantic Canada Opportunities Agency	$	46,458	$	---
Net government contributions	$	2,082,312	$	2,485,396

13. Capital stock and contributed surplus

		2005		2004
Capital stock - authorized, issued and outstanding				
75 Class A common shares, par value $1	$	75	$	75
Principal share, par value $1		1		1
		76		76
Contributed surplus				
Nova Scotia First Fund		11,110,791		11,110,791
Nova Scotia Research Foundation Corporation		7,509,888		7,509,888
Applied Microelectronics Incorporated (Note 6)		490,000		490,000
		19,110,679		19,110,679
	$	19,110,755	$	19,110,755

14. Unusual item

		2005		2004
Reduction of interest in The Decision Point	$	---	$	288,545

On March 31, 2004, InNOVAcorp entered into a reorganization agreement whereby it acquired the intellectual property of The Decision Point in exchange for shares and debt. As a result, InNOVAcorp's ownership was reduced to 30% which is now accounted for using the equity method. InNOVAcorp's investment in The Decision Point is now carried at $1 and the net impact was a $288,545 reduction in exposure on this investment.

15. Discontinued operations

		2005		2004
Environmental Simulation Lab				
Net earnings (loss) for the year	$	66,038	$	(13,970)
Loss on disposal of assets		(13,328)		---
		52,710		(13,970)
Nova Magnetics Limited				
Net earnings for the year		8,990		2,684
	$	61,700	$	(11,286)

These divisions were sold in 2001 and 2002 respectively.

The activity in Nova Magnetics Limited during the year related to sales to third parties of inventories consigned to Nova Magnetics Limited.

In fiscal 2004, the assets of Environmental Simulation Lab were reacquired by InNOVAcorp and the agreement to resell these assets to to a third party was finalized in August 2004. The activity in the Environmental Simulator Lab includes operating income and expenses to the date of sale.

16. Supplemental cash flow information

		2005		2004
Change in non-cash operating working capital:				
Receivables	$	25,381	$	(240,259)
Inventories		9,038		13,066
Payables and accruals		886,448		(237,750)
Payable to Province of Nova Scotia		(857,634)		1,026,923
Deferred revenue		(117,349)		114,808
	$	(54,116)	$	676,788
Reduction of interest in The Decision Point				
Payables and accruals	$	---	$	175,253
Capital assets		---		6,999
Long term debt		---		(81,544)
	$	---	$	100,708

17. Related party transactions

Entity	Relationship		Revenues Generated		Year End Receivable
PlantSelect Biotechnology Systems Limited	50% investee	$	372	$	398,518
The Decision Point	30% investee		474		89,726
BioScience Enterprise Centre	Managed Incubator		1,916		134,245
NSFF Investments	Investees		106,711		61,619

Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost. During the year, net advances of $51,554 were made to PlantSelect Biotechnology Systems Limited. The receivable is offset by an allowance for doubtful accounts of $198,999.

During the year, net advances of $55,883 were made to the BioScience Enterprise Centre.

Sales to NSFF investees are at the same prices and terms as with unrelated parties.

InNOVAcorp has the use of the Technology Innovation Centre, which is owned by the Province of Nova Scotia, at no cost. Subsequent to year end, this building was transferred to InNOVAcorp, as described below.

18. Subsequent event

The Province of Nova Scotia approved by Order in Council 2005-43 dated January 27, 2005 amendment of Order in Council 2001-523 transferring approximately 132 acres of real property located in the Woodside Industrial Park, Dartmouth, Nova Scotia to InNOVAcorp. In consideration for the property received InNOVAcorp will assume a liability to the Province of Nova Scotia equal to the book value of the land and buildings received. On May 24, 2005, this transaction closed with InNOVAcorp recording land of $120, building $401,441 and a liability of the Province of Nova Scotia of $401,561.

19. Comparative Figures

Certain of the comparative figures for 2004 have been reclassified to conform with the financial statement presentation adopted for the current year.

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Financial Position
Year Ended March 31, 2005

	2005	2004
ASSETS		
Current		
Cash	$ 1,376,962	$ 222,750
Marketable securities (note 2(f))	5,500,000	5,450,000
Receivables, trade.	607,333	181,020
Prepaid expenses	57,255	34,987
	7,541,550	5,888,757
Due from Department of Finance (note 2(g))	1,917,275	1,687,362
Property and equipment (note 3)	290,427	252,012
Trust Fund - long service awards (note 4))	1,846,178	1,714,342
	$ 11,595,430	$ 9,542,473
LIABILITIES		
Current		
Payables and accruals (notes 5 and 6)	$ 2,520,727	$ 1,611,512
Deferred contribution - special cases (note 7)	643,778	772,654
	3,164,505	2,384,166
Long term		
Long service awards (note 8)	1,846,178	1,714,342
Employee future benefits (notes 2(g) and 9)	1,917,275	1,687,362
Deferred contributions - property and equipment (note 10).	455,425	534,051
	7,383,383	6,319,921
NET ASSETS		
Unrestricted net assets (page 372)	2,298,032	1,865,298
Reserve for property and equipment expenditures (page 372 and note 11)	43,055	150,000
Net assets invested in capital assets (page 372)	288,955	171,914
Reserve for future case completion (page 372 and note 11).	1,582,005	1,035,340
	4,212,047	3,222,552
	$ 11,595,430	$ 9,542,473

Commitment and contingencies (note 13)

See accompanying notes

UNAUDITED

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Operations
Year Ended March 31, 2005

		2005		2004
Revenue				
Operating grants - Province of Nova Scotia	$	17,111,521	$	15,421,658
Future employee benefits grant - Province of Nova Scotia		229,913		188,762
Interest		157,999		174,513
Other income		28,724		132,510
		17,528,157		15,917,443
Expenses (page 379)				
Amortization		148,169		219,838
Directors' fees		19,038		15,238
Equipment and maintenance		206,135		96,597
Library		152,801		137,523
Memberships, meetings and conferences		284,483		212,638
Office disbursements		232,556		235,236
Private solicitors' fees (note 6)		3,207,541		2,344,466
Professional and other fees		61,308		187,345
Salaries and benefits		11,002,401		9,566,503
Supplies and services		1,041,556		981,207
Travel		182,674		157,594
		16,538,662		14,154,185
Excess of revenue over expenses before special cases		989,495		1,763,258
Special cases (note 7)				
Contribution from the Province of Nova Scotia		128,343		272,811
Contributions from clients		12,543		16,847
		140,886		289,658
Expenses, special cases		140,886		289,658
		---		---
Excess of revenue over expenses	$	989,495	$	1,763,258

See accompanying notes

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NOVA SCOTIA LEGAL AID COMMISSION

Statement of Changes in Net Assets
Year Ended March 31, 2005

	Unrestricted Net Assets	Reserve for Equipment Expenditures	Net Assets Invested in Equipment	Reserve for Future Case Completion	2005 Total	2004 Total
Balance, beginning of year	$ 1,865,298	$ 150,000	$ 171,914	$ 1,035,340	$ 3,222,552	$ 1,459,294
Excess of revenue over expenses	989,495	---	---	---	989,495	1,763,258
Purchase of property and equipment	(79,639)	(106,945)	186,584	---	---	---
Amortization, net	69,543	---	(69,543)	---	---	---
Transfer to reserve for future case completion	(546,665)	---	---	546,665	---	---
Balance, end of year	$ 2,298,032	$ 43,055	$ 288,955	$ 1,582,005	$ 4,212,047	$ 3,222,552

See accompanying notes

UNAUDITED

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Operating Activities		
Excess of revenue over expenses	$ 989,495	$ 1,763,258
Amortization	148,169	219,838
Amortization of deferred contributions - capital	(78,626)	(163,158)
	1,059,038	1,819,938
Net change in non-cash working capital balances related to operations (note 12)	281,758	(3,237,801)
	1,340,796	(1,417,863)
Investing Activities		
Purchase of		
Furniture and equipment	(14,355)	(33,673)
Computer equipment	(172,229)	---
	(186,584)	(33,673)
Increase (decrease) in cash during year	1,154,212	(1,451,536)
Cash, beginning of year	222,750	1,674,286
Cash, end of year	$ 1,376,962	$ 222,750

See accompanying notes

NOVA SCOTIA LEGAL AID COMMISSION

Notes to the Financial Statements
March 31, 2005

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Accounting Policies

(a) Cash
Cash consist of cash on hand and balances with banks.

(b) Amortization
Property and equipment are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease
Equipment under capital lease	33.33% per year

(c) Financial Instruments
The Commission's financial instruments consist of cash, investments, receivables and payables. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Commission estimates that the fair value of its cash, investments, receivables and payables approximate their carrying values due to the relatively short period to maturity of these financial instruments.

(d) Use of Estimates
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

(e) Special cases
Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of operations.

(f) Marketable securities
Investments consist of guaranteed investment certificates and are valued at cost, which approximates market value. These guaranteed investment certificates bear interest in a range of 2.1% to 2.2% (2004 - 2.40% to 2.65%) and mature between 32 and 125 days (2004 - 30 and 42 days) after year-end.

(g) Employee Future Benefits

As at March 31, 2005, the Commission retroactively adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits other than pensions which are accrued over the periods in which the employees render services in return for these benefits. These benefits are for life insurance and health programs. A liability for employee future benefits of $1,917,275 (2004 - $1,687,362) has been included in the financial statements. The liability as at March 31, 2005 and 2004 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Department of Finance. The Province of Nova Scotia has indicated that it will not assume the increase in costs relating to employee future health and life insurance benefits for the 2006 fiscal year and decisions for future years are yet to be determined. The current year's net expense incurred for these future employee benefits is $245,515 (2004 - $200,368).

(h) Comparative figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

3. Property and equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 106,769	$ 75,100	$ 31,669	$ 48,637
Furniture and fixtures	151,520	79,187	72,333	85,887
Computer equipment.	666,718	480,293	186,425	117,488
	$ 925,007	$ 634,580	$ 290,427	$ 252,012

4. Trust Fund - Long Service Awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with fifteen years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. To date, six employees have received advances with two advances outstanding at year end. Advances plus accrued interest at March 31, 2005 totaled $51,185 (2004 - $84,117).

		2005		2004
Balance, beginning of year	$	1,714,342	$	1,563,638
Add: Contribution from operating funds		76,915		76,973
Outstanding year end contribution		138,159		88,004
Interest on long service award advances		2,723		6,870
Interest on investments		30,812		38,293
		248,609		210,140
Less: Long service awards paid to retiring employees		116,713		59,391
Operating charge		60		45
		116,773		59,436
Balance, end of year	$	1,846,178	$	1,714,342
Consisting of:				
Cash	$	56,834	$	15,219
Investments and accrued interest on investments		1,600,000		1,527,000
Receivable - long service award advances and accrued interest on advances		51,185		84,119
Contribution due from operating funds		138,159		88,004
	$	1,846,178	$	1,714,342

5. Payables and Accruals

		2005		2004
Supplies and services	$	188,344	$	118,816
Accrued private solicitors' fees (note 6)		2,026,705		1,308,321
Employee salaries and benefits		305,678		184,375
	$	2,520,727	$	1,611,512

6. Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2005, a liability of $2,026,705 (2004 - $1,308,321) was recorded, of which $1,734,270 (2004 - $1,067,512) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

7. Deferred contribution - Special Cases

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia.

8. Long Service Awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

In 2005, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2005, the long service award trust funds of $1,846,178 (2004 - $1,714,342) are sufficient to fund the liability.

9. Employee future benefits

The Commission has provided for employee future benefits other than pensions for life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations are as follows:

Discount rate	5,75%
Expected health care costs trend rate	10% in 2005 decreasing down to 5% per annum in and after 2010
Retirement age assumption	59 years
Participation	90% of members are assumed to participate in the retiree health and dental programs

10. Deferred Contributions - Property and Equipment

Deferred contributions relates to funding received from the Province of Nova Scotia to offset costs of upgrading the Commission's computer systems. The changes in the deferred contributions balance for the period are as follows:

	2005	2004
Balance, beginning of year	$ 534,051	$ 697,209
Less: amounts amortized to revenue	(78,626)	(163,158)
Balance, end of year	$ 455,425	$ 534,051

11. Reserves

Reserve for Property and Equipment Expenditures
The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the future capital expenditures that will be required to upgrade its management information systems.

Reserve for Future Case Completion
The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2005.

12. Net change in non-cash working capital balances related to operations

Increase (decrease) in cash from changes in:

		2005		2004
Receivables	$	(426,313)	$	(100,932)
Prepaid expenses		(22,268)		(5,302)
Payables and accruals		909,215		169,264
Deferred contributions - special cases		(128,876)		(12,277)
Marketable securities		(50,000)		(3,288,554)
	$	281,758	$	(3,237,801)

13. Commitments and contingencies

(a) The Commission has entered into lease agreements for ten of its offices. The remaining three offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for the next five fiscal years, not including operating costs and taxes, are as follows:

2006	$	713,873
2007	$	740,145
2008	$	714,178
2009	$	633,576
2010	$	581,002

b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of $69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2006.

(c) The Commission has been named a defendant in an action. As of the audit report date, the outcome of this claim is not determinable, and accordingly, no provision has been made for it in the financial statements.

14. Client Trust Funds

On March 31, 2005, $15,614 (2004 - $32,547) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

15. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses in the amount of $571,432 (2004 - $475,702). The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

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NOVA SCOTIA LEGAL AID COMMISSION

Expenses
Year Ended March 31, 2005

	2005	2004
Amortization	$ 148,169	$ 219,838
Directors' fees	19,038	15,238
Equipment and maintenance		
Leasehold improvements	14,967	2,768
Office furniture and equipment	76,393	12,035
Office machine leasing	70,875	53,469
Office machine maintenance	43,900	28,325
	206,135	96,597
Library	152,801	137,523
Membership, meetings and conferences		
Membership and dues	166,434	128,894
Meetings and conferences	118,049	83,744
	284,483	212,638
Office disbursements		
Civil and family	102,606	102,253
Criminal	117,032	118,036
Young offender	12,918	14,947
	232,556	235,236
Private solicitors' fees		
Civil and family - conflicts	1,693,024	1,272,012
Criminal - choice of counsel	105,718	43,207
Criminal - conflicts	1,232,079	876,138
Young offender - choice of counsel	8,677	2,584
Young offender - conflicts	168,043	150,525
	3,207,541	2,344,466
Professional and other fees		
Professional fees	61,308	174,911
Consultant fees	---	12,434
	61,308	187,345
Salaries and benefits	11,002,401	9,566,503
Supplies and services		
General cleaning and office expense	85,064	85,939
Heat, light and water	26,669	28,367
Miscellaneous	3,665	1,547
Printing and stationery	97,906	91,692
Rent, insurance and taxes	638,552	596,133
Telephone and postage	189,700	177,529
	1,041,556	981,207
Travel	182,674	157,594
	$ 16,538,662	$ 14,154,185

AUDITORS' REPORT

To the Members of the Board of
Nova Scotia Liquor Corporation

We have audited the balance sheet of The Nova Scotia Liquor Corporation as at March 31, 2005 and the statements of earnings 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, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Dartmouth, Nova Scotia
May 20, 2005

NOVA SCOTIA LIQUOR CORPORATION

Statement of Earnings and Retained Earnings
Year ended March 31, 2005

	2005 (in thousands)	2004 (in thousands)
Net sales	$ 450,955	$ 437,143
Cost of goods sold	216,982	213,308
	233,973	223,835
Store operating expenses	41,994	38,095
	191,979	185,740
Depreciation and amortization	3,992	3,200
Supply chain expense	5,161	5,013
Corporate services	13,534	9,857
Other revenue	(4,834)	(4,538)
Other expenses	4,092	4,415
	21,945	17,947
Net earnings	$ 170,034	$ 167,793
Retained earnings, beginning of year	$ ---	$ ---
Net earnings	170,034	167,793
Other adjustments (Note 9)	---	(1,041)
Distributions to the Province	(170,034)	(166,752)
Retained earnings, end of year	$ ---	$ ---

See accompanying notes to the financial statements.

NOVA SCOTIA LIQUOR CORPORATION

Balance Sheet
Year ended March 31, 2005

ASSETS

	2005	2004
	(in thousands)	
Current		
Cash	$ 9,527	$ 5,585
Receivables	3,080	1,620
Inventories	33,338	30,950
Prepaids	898	829
	46,843	38,984
Property and equipment (Note 3)	18,666	14,276
Assets under capital lease, net of accumulated depreciation of $10,286 (2004 - $9,853)	545	978
	$ 66,054	$ 54,238

LIABILITIES

	2005	2004
Current		
Payables and accruals	$ 26,847	$ 28,129
Due to Minister of Finance	16,765	3,927
Current portion of obligation under capital lease	642	558
Current portion of employee future benefit obligations	635	631
	44,889	33,245
Obligations under capital lease (Note 4)	6,051	6,692
Employee future benefit obligations (Note 5)	15,114	14,301
	$ 66,054	$ 54,238

Commitments (Note 6)

See accompanying notes to the financial statements.

NOVA SCOTIA LIQUOR CORPORATION

Statement of Cash Flows
Year ended March 31, 2005

		2005		2004
		(in thousands)		
Increase (decrease) in cash and cash equivalents				
Operating				
Net earnings	$	170,034	$	167,793
Other adjustments		---		(1,041)
Depreciation		3,992		3,200
Increase in employee future benefit obligations		816		912
		174,842		170,864
Change in non-cash operating working capital (Note 7)		(6,367)		4,271
		168,475		175,135
Financing				
Principal payments on obligations under capital lease		(558)		(486)
Remittances to Minister of Finance		(157,200)		(172,700)
		(157,758)		(173,186)
Investing				
Purchase of property and equipment		(6,775)		(3,120)
Increase (decrease) in cash and cash equivalents		3,942		(1,171)
Cash and cash equivalents, beginning of year		5,585		6,756
Cash and cash equivalents, end of year	$	9,527	$	5,585

See accompanying notes to the financial statements.

Notes to the Financial Statements
Year ended March 31, 2005

1. Nature of operations

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate. The Corporation is exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

Inventories

Inventories of stock in warehouses and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

Depreciation

Property and equipment are recorded at cost. Depreciation is provided on the straight-line basis at the following annual rates:

Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Computers - stand-alone	33%
Computers - integrated systems	20%
Land and buildings	4%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated, are depreciated due to the retention of proceeds by the Province of Nova Scotia.

Work in progress includes assets not yet being used, but already purchased. These assets are depreciated when they are available for use.

Assets under capital lease

Assets under capital lease are depreciated over their estimated useful lives using the straight-line method.

Employee future benefits

The Corporation has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employement. This program is funded in the year of retirement of eligible employees.

The Corporation pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

The Corporation accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the employee future benefits. The Corporation has adopted the following policies:

* The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs.

* The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

Use of estimates
The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial instruments
The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, due to Minister of Finance and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximate their carrying values except for the obligation under capital lease. The fair value of the obligation under capital lease was not determinable due to the fact exit costs are not known. These exit costs would be a significant component of the fair value calculation, as the implicit rate of the lease of 13.8% is in excess of the current market cost of capital for the Corporation.

3. Property and equipment

	2005	2004
Furniture and fixtures	$ 7,891	$ 5,997
Other equipment	7,192	7,316
Computers	10,802	7,563
Land and buildings	13,508	13,875
Capital and leasehold improvements	28,190	26,886
Work in progress	2,614	1,785
	70,197	63,422
Less: accumulated depreciation	51,531	49,146
	$ 18,666	$ 14,276

4. Obligation under capital lease

The Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The future minimum lease payments, together with the balance of the obligation under capital lease as of March 31, 2005, are as follows:

2006	$ 1,536
2007	1,536
2008	1,536
2009	1,536
2010-2012	4,228
Total minimum lease payments	10,372
Less amount representing interest	3,679
Balance of obligation	6,693
Less current portion of obligation	642
	$ 6,051

Corporate services include interest of $978 (2004 - $1,050) related to this obligation.

5. Employee future benefits

The Corporation has two employee future benefit plans for which it is responsible as described in Note 2.

Information about these benefit plans, in aggregate, based on the April 1, 2002 actuarial valuation extrapolated to March 31, 2005 is as follows:

	2005	2004
	(in thousands)	
Accrued benefit obligation:		
Balance, beginning of year	$ 15,900	$ 15,003
Current service cost	628	558
Interest cost	976	926
Benefits paid	(795)	(602)
Past service costs	100	---
Actuarial Losses	(221)	15
Balance, end of year, and funded status - deficit	16,588	15,900
Less: current portion.	(635)	(631)
Past service costs.	(100)	---
Unamortized net actuarial loss.	(739)	(968)
Accrued benefit liability	$ 15,114	$ 14,301

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2005	2004
Discount rate	6.05%	6.17%
Rate of compensation increase	2.90%	2.50%

The assumed health care cost trend rate at April 1, 2005 was 9%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense was $1,618 (2004 - $1,551).

6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2005 and 2010. Some of these operating leases contain renewal options at the end of the initial lease term.

The following schedule approximates future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2005:

2006	$	2,112
2007	$	1,684
2008	$	909
2009	$	323
2010	$	80

7. Supplemental cash flow information

Change in non cash operating working capital

	2005	2004
Receivables	$ (1,460)	$ 667
Inventory	(2,387)	(4,135)
Prepaid expenses	(69)	(5)
Payables and accruals	(2,451)	7,744
	$ (6,367)	$ 4,271

Cash and cash equavilents consist of:

	2005	2004
Cash on hand and balances with banks	$ 9,527	$ 5,585

	2005	2004
Interest and bank charges paid	$ 237	$ 236

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

9. Other adjustments

The Corporation recorded adjustments of nil (2004 - $1,041) related to years prior to 2003. This amount reduced the prior year's distribution to the Province in the calculation of retained earnings.

AUDITORS' REPORT

To the Directors of
Nova Scotia Municipal Finance Corporation

We have audited the balance sheet of the Nova Scotia Municipal Finance Corporation as at March 31, 2005 and the statements of revenue, expenditure and reserve fund 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scoia
April 28, 2005

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Balance Sheet
Year Ended March 31, 2005 with comparative figures 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash	$ 16,658	$ 36,715
Short-term investments, at cost (market - $4,526,403; 2004 - $4,187,000 (Note 10))	4,526,403	4,187,000
Accrued interest receivable	9,989,752	10,284,626
HST receivable	495	331
Principal due within one year on loans to units	81,038,164	70,303,478
	95,571,472	84,812,150
LONG-TERM ASSETS:		
Loans to units (Note 3)	590,320,848	492,950,648
Less principal included in current assets	81,038,164	70,303,478
	509,282,684	422,647,170
Investments, at amortized cost (market - $445,213; 2004 - $469,731 (Note 10))	441,811	456,414
	509,724,495	423,103,584
DEFERRED CHARGES:		
Discount on debenture debt	2,388,291	2,616,884
Less accumulated amortization	1,658,139	1,699,284
	730,152	917,600
	$ 606,026,119	$ 508,833,334
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 34,472	$ 39,428
Due to municipal units	136,217	133,286
Accrued interest payable	9,956,536	10,249,709
Principal due within one year on debenture debt	80,999,289	70,256,012
	91,126,514	80,678,435
Employee obligations (Note 9)	74,520	65,073
LONG-TERM DEBT		
Debentures payable (Note 5)	590,021,242	492,603,254
Less principal included in current liabilities	80,999,289	70,256,012
	509,021,953	422,347,242
DEFERRED CREDITS		
Discount on loans to units	2,381,966	2,611,192
Less accumulated amortization	1,656,296	1,698,785
	725,670	912,407
EQUITY		
Reserve fund	5,077,462	4,830,177
	$ 606,026,119	$ 508,833,334

See accompanying notes to the financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Revenue, Expenditure and Reserve Fund
Year Ended March 31, 2005 with comparative figures 2004

	2005	2004
REVENUE		
Interest on loans to units . . . . $	31,346,386 $	30,001,901
Amortization of discount on loans to units	216,518	251,819
Interest on short term investments	118,262	138,038
Recovery of issue costs	1,054,247	269,585
Reserve fee.	419,184	182,793
	33,154,597	30,844,136
EXPENITURE		
Interest on debenture debt and short term loans.	31,319,288	29,970,691
Amortization of discount on debenture debt	217,228	252,437
Debenture issue expenses	1,056,502	267,875
Administrative expenses (Note 6)	314,294	310,413
	32,907,312	30,801,416
NET REVENUE	247,285	42,720
RESERVE FUND, BEGINNING OF YEAR.	4,830,177	4,787,457
RESERVE FUND, END OF YEAR . . . . $	5,077,462 $	4,830,177

See accompanying notes to the financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Statement of Cash Flows
Year ended March 31, 2005 with comparative figures 2004

	2005	2004
Cash provided by (used for)		
Operations		
Net revenue	$ 247,285	$ 42,720
Add (deduct) non-cash items		
Amortization of discount on loans to units	(216,518)	(251,819)
Amortization of discount on debenture debt	217,228	252,437
Amortization of premiums on investments	14,603	(23,414)
Change in non-cash working capital (Note 8)	(486)	(14,874)
Increase in accrued public service award	9,447	22,500
	271,559	27,550
Investments		
Issue of loans of $167,673,679 to units on security of debentures, net of discounts of $29,781 (2004 - $73,117,362 net of discounts of $200,338)	(167,643,898)	(72,917,024)
Principal received on loans to units	70,303,478	63,054,835
Principal due to municipal units	---	133,286
Principal paid on maturing investments	---	(1,608,055)
	(97,340,420)	(11,336,958)
Financing		
Issue of debentures of $167,674,000, net of discounts of $29,781 (2004 - $73,108,000 net of discounts of $200,319)	167,644,219	72,907,681
Principal payment on debenture debt	(70,256,012)	(62,965,496)
	97,388,207	9,942,185
INCREASE (DECREASE) IN CASH	319,346	(1,367,223)
CASH POSITION, BEGINNING OF YEAR	4,223,715	5,590,938
CASH POSITION, END OF YEAR	$ 4,543,061	$ 4,223,715

Cash position is defined as cash and short-term investments. The cash position at year end is made up of the following:

	2005	2004
Cash	$ 16,658	$ 36,715
Short term investments	4,526,403	4,187,000
	$ 4,543,061	$ 4,223,715

See accompanying notes to the financial statements.

Notes to the Financial Statements
Year ended March 31, 2005

The Corporation was created by the Municipal Finance Corporation Act which was proclaimed on July 31, 1979. The Corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The objective of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, regional school boards, and hospitals through a central borrowing authority.

1. Summary of significant accounting policies

A) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.

B) The Reserve Fund was created from accumulated surpluses and interest earnings on funds which had been advanced by the Province of Nova Scotia and interest on other surplus monies. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide funds which may be required for administrative purposes and timing differences.

C) Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management does not anticipate that actual results will differ materially from those estimates.

D) The Corporation recognizes income and expenses on an accrual basis.

2. Financial instruments

Fair Value
The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements. As the Corporation is a special purpose entity, and there is no comparable outside market, the fair value of the loans and debentures payable was not determinable.

Interest rate risk
The Corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As the Corporation normally holds the debentures to muturity, book values of the investments and debentures have not been adjusted to reflect differences.

Credit risk

Due to existing statutory provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

It is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from financial instruments.

3. Loans to units

A) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.0% to 12.5%.

B) Principal payments receivable in each of the next five years are as follows:

2006	$	81,038,164
2007		78,525,636
2008		75,073,251
2009		60,981,244
2010		56,387,989

4. Trust funds under administration

The Corporation has no Trust Funds under its administration for the year ended March 31, 2005.

5. Debentures payable:

A) The debenture debt outstanding at March 31, 2005 totalling $590,021,242 (2004 - $492,603,254) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia, with the exception of Series "AT" which is a private placement.

Series		Date Issued	Maturity Date	Interest Rate		Debt Outstanding
N		Apr. 2/85	2005	12.500	$	1,290,000
AI	*	May 2/95	2005	9.125		5,595,000
AJ		Nov. 14/95	2005	8.125		7,390,000
AK	*	May 14/96	2005 to 2006	7.750-8.000		15,822,000
AL		Oct. 28/96	2005 to 2006	7.500		7,417,000
AM	*	May 12/97	2005 to 2007	7.000		20,634,000
AN	*	Oct. 17/97	2005 to 2007	6.000-6.250		20,168,000
AP	*	Jan. 30/98	2006 to 2019	5.625-6.125		35,793,000
AQ		May 15/98	2005 to 2008	5.375-5.500		17,263,000
AR	*	Dec. 1/98	2005 to 2008	5.500-5.625		26,381,000
AS	*	May 17/99	2005 to 2009	5.250-5.375		24,562,000
AT		May 28/99	2005 to 2015	1.000		1,856,250
AU	*	Dec. 22/99	2005 to 2009	6.625-6.750		23,120,000
AV	*	June 1/00	2005 to 2010	6.625-6.875		15,540,000
AW	*	Nov. 9/00	2005 to 2010	6.125-6.375		16,577,000
AX	*	May 29/01	2005 to 2011	5.500-6.250		22,563,000
AY	*	Nov. 7/01	2005 to 2011	4.625-6.000		14,068,000
AZ	*	May 15/02	2005 to 2012	4.875-6.125		43,917,000
BA	*	Nov. 7/02	2005 to 2017	4.000-6.000		25,633,000
BB	*	Jan. 9/03	2005 to 2023	5.913		10,524,992
BC	*	May 28/03	2005 to 2018	3.8750-5.750		46,024,000
BD	*	Oct. 15/03	2005 to 2018	3.125-5.375		20,209,000
BE	*	June 10/04	2005 to 2019	2.550-5.750		26,447,000
BF	*	Sept 1/04	2005 to 2024	2.840-5.940		110,000,000
BG	*	Nov 25/04	2005 to 2019	3.195-5.325		31,227,000
					$	590,021,242

* Placed directly with the Province of Nova Scotia.

Interest is payable semi-annually, except for Series "AT", which is payable annually.

B) Principal payments due in each of the next five years are as follows:

2006	$	80,999,289
2007		78,251,723
2008		75,049,383
2009		60,973,342
2010		56,440,679

6. Administrative expenses

	2005 Budget	2005 Actual	2004 Actual
Salaries and benefits	$ 228,302	$ 234,803	$ 232,434
Travel	4,500	2,829	2,795
Equipment and maintenance	4,500	5,543	4,597
Printing	2,438	2,896	(133)
Postage	1,425	1,295	1,414
Telecommunications	4,025	3,161	3,294
Stationery and supplies	3,700	1,985	3,146
Professional services	24,270	24,270	24,000
Bank charges	4,100	2,897	3,766
Directors' fees and expenses	5,600	5,083	4,543
Professional development	6,300	6,784	5,694
Dues and subscriptions	2,275	2,487	2,278
Insurance	880	846	821
Other	500	412	8,127
Office rent	15,420	---	6,664
Special projects	10,300	9,933	4,973
Sponsorship projects	2,000	2,000	2,000
Debenture IT system	20,000	7,070	---
	$ 340,535	$ 314,294	$ 310,413

7. Taxes

The Corporation is not subject to provincial or federal taxes.

8. Change in non-cash working capital

	2005	2004
Accrued interest receivable	$ 294,875	$ 86,468
HST receivable	(164)	1,573
Accounts payable	(4,955)	(7,771)
Accrued interest payable	(290,242)	(95,144)
	$ (486)	$ (14,874)

9. Employee obligations

Public service awards

As at March 31, 2005, the Corporation has recorded a liability in the amount of $74,520 (2004 - $65,073) in respect of a provincial public service award for the employees of the Corporation.

Employee future benefits / pension

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

10. Investments

The Corporation holds short-term and long-term investments. The investments mature at various intervals during 2004 and 2005, the interest rates for these investments range from 2.18% to 8.125%.

AUDITORS' REPORT

To the Board of Directors,
Nova Scotia Power Finance Corporation

We have audited the statement of outstanding debt and defeasance assets of Nova Scotia Power Finance Corporation as at March 31, 2005 and the statement of debt cash flows and funding for the year then ended. This financial information is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial information 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 information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, these statements present fairly, in all material respects, the outstanding debt and defeasance assets of the Corporation as at March 31, 2005 and the debt cash flows and funding for the year then ended in accordance with the basis of accounting disclosed in Note 2.

Deloitte & Touche LLP
Chartered Accountants

April 22, 2005

NOVA SCOTIA POWER FINANCE CORPORATION

Statement of Outstanding Debt and Defeasance Assets
as at March 31, 2005

	2005	2004
	(in thousands)	
DEBT (Schedule)		
Par Value	$ 1,062,880	$ 1,093,150
Adjustment to market value	546,493	563,564
	1,609,373	1,656,714
Principal and coupon payments reacquired	(1,090,466)	(1,113,884)
Accrued interest on outstanding debt	19,788	19,892
Outstanding debt at market value	$ 538,695	$ 562,722
DEFEASANCE ASSETS (Note 3)		
Cash	$ 12,746	$ 10,170
Government and government guaranteed securities	549,096	592,525
Defeasance assets at market value	$ 561,842	$ 602,695

Statement of Debt Cash Flows and Funding
year ended March 31, 2005

	2005	2004
	(in thousands)	
Debt		
Interest payments	$ (54,742)	$ (55,606)
Principal and coupon payments reacquired	(5,996)	---
	(60,738)	(55,606)
Funding		
Investment revenues and maturities	57,543	55,497
Sales of investments	6,113	---
	63,656	55,497
Effect of exchange movements on U.S. dollar cash balances	(342)	(170)
Change in cash balance for the year	2,576	(297)
Cash, beginning of year	10,170	10,467
Cash, end of year	$ 12,746	$ 10,170

NOVA SCOTIA POWER FINANCE CORPORATION
Notes to the Financial Information
March 31, 2005

1. REORGANIZATION AND PRIVATIZATION

In 1992, the Province of Nova Scotia (the "Province") passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation ("NSPC"). In effecting this, pursuant to an Asset Transfer Agreement and a Debt Restructuring Agreement effective August 10, 1992, NSPC transferred all of its existing assets, liabilities and equity, except for long-term debt and related sinking funds, to Nova Scotia Power Inc. ("NSPI") in exchange for:

a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and

b) 20,134,666 fully paid common shares of NSPI issued to the Province, which were subsequently sold on August 12, 1992 by the Province as a secondary offering.

Subsequent to the reorganization and privatization, the former business activities of NSPC continued under NSPI. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") which continued to hold the long-term debt and sinking fund assets and the matching notes receivables and notes payable.

On reorganization, NSPI and NSPFC committed, subject to certain conditions, to effect defeasance of NSPFC debt by December 31, 1998. Defeasance required qualifying assets to be set aside to be used solely for satisfying scheduled future payments of principal and interest of the outstanding debt. Defeasance of NSPFC's debt was achieved by December 31, 1998 and the matching notes receivable and notes payable of NSPI were exchanged for the portfolio of defeasance assets. The matching notes continue to be pledged by NSPI as collateral security for a Defeasance Indemnity. NSPI is responsible for managing the portfolio of defeasance assets and is obligated to match its cash inflows with the principal and interest streams of the related defeased debt. NSPI is obligated to indemnify NSPFC against all expense, cost, damage, etc. which NSPFC may suffer or incur as a consequence of a Defeasance Portfolio Deficiency as difined in the Debt Restructuring Agreement.

2. BASIS OF PRESENTATION

Debt and defeasancce assets are reported at estimated market values.

3. DEFEASANCE ASSETS

The portfolio of assets held for the payment of principal and interest amounts on the NSPFC debt are held by RBC Global Services. All assets are held in securities issued or guaranteed by the Federal or Provincial Governments.

Included in defeasance assets is $41 million denominated in U.S. dollars ($49 million Canadian).

The estimated cash inflows generated from investment income on and maturities of the assets held exceed the estimated cash outflows on debt interest and principal repayments by approximately $90,000.

4. GENERAL AND ADMINISTRATIVE EXPENSES

Under the terms of the privatization agreement, NSPI is responsible for the payment of all reasonable operating costs of NSPFC. During the year, $121,195 (2004 - $148,106) of such costs were paid by NSPI.

5. COMPARATIVE FIGURES

The financial information for the prior year has been restated to conform to the current year's basis of presentation.

SCHEDULE 1

NOVA SCOTIA POWER FINANCE CORPORATION

Outstanding Debt
as at March 31, 2005

(in thousands)

Series	Maturity Date	Rate	Par Value	Market Value	Principal And Coupon Payments Reacquired	Accrued Interest on Outstanding Debt	Outstanding Balance at Market Value
Debentures							
AH	November 15, 2012	10.875%	$ 150,000	$ 210,995			
AJ	April 27, 2014	11.250%	200,000	296,136			
AK	January 10, 2020	10.250%	150,000	230,343			
AM	February 26, 2031	11.000%	200,000	361,414			
AN	April 1, 2021 (US) (1)	9.400%	362,880	510,485			
Total			$ 1,062,880	$ 1,609,373	$ (1,090,466)	$ 19,788	$ 538,695

(1) Amounts payable in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements ($300,000,000 US converted @ 1.2096 as of March 31, 2005).

Draft-Unaudited

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Financial Position
as at March 31, 2005

		2005		2004
ASSETS				
Current				
Cash	$	200	$	200
Advance on grant payment		64,981		---
Due from processors		25,099		29,882
Due from Province of Nova Scotia		559,266		639,516
	$	649,546	$	669,598
LIABILITIES AND FUND BALANCE				
Current				
Accounts payable	$	1,700	$	7,822
Due to bargaining agents		11,304		10,718
		13,004		18,540
Fund Balance		636,542		651,058
	$	649,546	$	669,598

Commitment (Note 3)

Contingencies (Note 5)

The accompanying notes are an integral part of these statements

Draft-Unaudited

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Revenues			
Charges against suppliers (Note 1)		$ 274,064	$ 439,947
Less: Bargaining agents funding		111,113	238,997
Charges for funding of Board operations	$ 203,000	162,951	200,950
Interest on fund balance	24,500	25,237	27,396
	227,500	188,188	228,346
Expenses			
Board member per diems	32,000	28,349	35,950
Consulting fees (Note 3)	50,000	55,350	29,400
Equipment and maintenance (Note 2)	2,000	2,434	685
Grants	120,000	---	12,013
Lease payments - equipment	2,000	1,361	1,594
Lease payments - office space	22,600	22,858	22,202
Legal fees	4,000	1,400	4,680
Other expenses	5,700	3,847	4,178
Salaries	53,500	52,343	51,022
Supplies and services	8,750	8,471	7,668
Travel	32,000	26,291	34,171
	332,550	202,704	203,563
Excess (Deficiency) of revenues over expenses	$ (105,050)	(14,516)	24,783
Fund balance, beginning of year		651,058	626,275
Fund balance, end of year		$ 636,542	$ 651,058

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Changes in Financial Position
for the year ended March 31, 2005

	2005	2004
Cash derived from operations		
Excess (Deficiency) of revenues over expenses	$ (14,516)	$ 24,783
Changes in non-cash operating working capital items		
Due from processors	4,783	19,759
Due from Province of Nova Scotia	80,250	(31,217)
Accounts payable	(6,122)	5,947
Due to bargaining agents	586	(19,272)
Advance on grant payment	(64,981)	---
	14,516	(24,783)
Increase (decrease) in cash	---	---
Cash, beginning of year	200	200
Cash, end of year	$ 200	$ 200

The accompanying notes are an integral part of these statements

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to Financial Statements
March 31, 2005

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are used.

a) In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

b) Payments of grants are recorded as expenses by the Board when the grant recipient incurs eligible expenditures.

3. Commitments

The Board remits monthly payments of $1,728 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires xxxx.

The Board engaged a consultant during the year to survey and report prices for standing timber sales in Nova Scotia. As of March 31, 2005, the Board has paid $55,350 to the consultant. The Board is further committed to pay the following estimated amounts.

2005-06 - $ 8,850
2006-07 - $10,250

4. Pensions and Post-retirement Benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Government of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the Province.

5. Contigencies

One producer of primary forest products recently revised its method of reporting activity to the Board and resubmitted certain of its prior period activity reports. This has resulted in adjustments in 2004-05 to account for a reimbursement of administration levies previously submitted. The final resolution of of the matter is not determinable and further adjustments, if any, will be accounted for as charges to operations in the year of determination.

AUDITORS' REPORT

To the Board of Trustees of Nova Scotia Public Service Long Term Disability Plan
Trust Fund

We have audited the statement of net assets available for benefits and accrued disability benefits net of deficiency of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2004 and the statement of continuity of fund equity for the year then ended. These financial statements are the responsibility of the fund'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, net assets available for benefits and accrued disability benefits net of deficiency of the fund as at December 31, 2004 and the continuity of fund equity for the year then ended in accordance with Canadian generally accepted accounting principles.

LYLE TILLEY DAVIDSON
Chartered Accountants

Halifax, Nova Scotia
March 9, 2005

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Net Assets Available for Benefits
and Accrued Disability Benefits Net of Deficiency
as at December 31, 2004

	2004	2003
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Cash	$ 12,012,705	$ 6,285,739
Contributions receivable		
Employee's	365,261	931,997
Employer's	365,261	931,997
Accounts receivable		
EI Premium rebates	54,792	72,827
CPP rebates	91,859	133,097
Other	33,561	---
Investments (note 4)	29,813,797	25,927,867
Equipment and furnishings (note 5)	19,435	18,588
	42,756,671	34,302,112
Liabilities		
Accounts payable	2,498,756	1,527,732
	$ 40,257,915	$ 32,774,380
ACCRUED DISABILITY BENEFITS NET OF DEFICIENCY		
Accrued Liability for Benefits	$ 66,582,761	$ 68,048,380
Deficiency	(26,324,846)	(35,274,000)
	$ 40,257,915	$ 32,774,380

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Continuity of Fund Equity
for the year ended December 31, 2004

	2004	2003
Increase In Assets		
Premiums (note 6)	$ 18,031,596	$ 17,651,122
EI premium rebates	1,020,905	984,687
Investment income	2,114,121	2,745,865
	21,166,622	21,381,674
Decrease (Increase) in Assets		
Disability benefits paid	13,029,374	13,708,691
CPP recoveries	(709,041)	(422,636)
Subrogation recoveries	(244,002)	(48,203)
WCB recoveries	(67,616)	(297,318)
Actuarial	21,084	63,931
Audit and accounting	18,545	20,377
Investment custodian	30,445	29,453
Investment manager	67,746	60,919
Legal - subrogation	51,640	21,692
Legal - other	31,707	31,168
Office and sundry (note 7)	417,108	468,299
Plan administration services	665,355	643,922
Rehabilitation program	370,742	320,022
	13,683,087	14,600,317
Increase in Net Assets	7,483,535	6,781,357
Net Assets Available for Benefits - Beginning of Year	32,774,380	25,993,023
Net Assets Available for Benefits - End of Year	$ 40,257,915	$ 32,774,380

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Notes to Financial Statements
for the year ended December 31, 2004

1. Authority and Activities

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the trustees.

2. Effective Dates

The plan was established by Order in Council dated September 26, 1985.

The trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1, 1985 for employees who, at that time, met prescribed eligibility requirements.

3. Accounting Policies

Financial instruments
Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from their various financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Disability claims
Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

Marketable securities
Marketable securities are stated at market value.

Amortization of equipment and furnishings
The fund records amortization of the equipment and furnishings at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

4. Investments

Investments include marketable securities, accrued interest thereon and the custodian's account balance. The investments as at December 31, 2004 are recorded at market value of $29,813,797 (cost - $28,627,620) and at December 31, 2003 were recorded at market value of $25,927,867 (cost - $24,819,646).

5. Equipment and Furnishings

	2004			2003
	Cost	Accumulated amortization	Net	Net
Computer and office equipment	$ 58,244	$ 40,665	$ 17,579	$ 15,937
Software	5,642	3,786	1,856	2,651
	$ 63,886	$ 44,451	$ 19,435	$ 18,588

6. Contributions

	2004	2003
Atlantic Provinces Special Education Authority Centres	$ 74,792	$ 72,892
Capital District Health Authority	3,467,779	3,496,111
Correctional officers	295,177	274,949
Department of Transportation	859,347	846,626
District Health Authority 3	100,456	109,917
District Health Authorities 4, 5 and 6.	147,366	143,023
District Health Authorities 7 and 8.	208,495	205,477
Nova Scotia Community College	910,343	850,032
Nova Scotia Government Employees Union	92,106	75,730
Nova Scotia Legal Aid	249,494	243,779
Nova Scotia Utility and Review Board	46,910	42,958
Other.	40,184	37,033
Province of Nova Scotia Employees.	11,482,612	11,252,595
Universite Sainte-Anne.	56,535	---
	$ 18,031,596	$ 17,651,122

7. Office and Sundry

	2004	2003
Amortization.	$ 6,710	6,986
Trustee expenses	23,701	27,640
Equipment rentals	1,257	1,257
Miscellaneous.	38,155	52,833
Rent and taxes.	44,252	42,537
Salaries and benefits	258,290	281,743
Supplies and postage.	16,622	31,051
Telephone.	12,203	8,626
Professional development.	13,039	13,057
Vehicle allowance and travel	2,879	2,569
	$ 417,108	$ 468,299

8. Actuarial Valuation

The last actuarial valuation was completed as at December 31, 2003, which projected the present value of the fund liabilities for reported and estimated incurred but unreported claims to be $68,048,380. The actuarial value of the fund assets as at December 31, 2003 was $32,774,380, leaving an unfunded actuarial liability of $35,274,000.

As at December 31, 2004, the accrued disability benefits of $66,582,761 has been based on estimates provided by the plan administrators.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2005 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 25, 2005

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at March 31, 2005

	2005	2004 (Restated - see Note 3)
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 4)	$ 3,202,226	$ 3,049,621
Contributions receivable		
Employees'	3,435	2,785
Employers'	4,084	2,975
Accrued income	14,833	14,021
Net investment transactions outstanding	5,838	---
Prepayment and sundry receivables	473	97
Cash	2,083	1,225
Total Assets	3,232,972	3,070,724
Liabilities		
Real estate mortgages (Note 5)	17,614	---
Accounts payable	26,522	28,113
Net investment transactions outstanding	---	6,835
Total liabilities	44,136	34,948
Net assets available for benefits	3,188,836	3,035,776
Actuarial asset value adjustment (Note 6)	411	600
Actuarial value of net assets available for benefits	$ 3,189,247	$ 3,036,376
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits (Note 7)	$ 3,729,200	$ 3,522,000
Deficiency (Note 7)	(539,953)	(485,624)
Accrued pension benefits net of deficiency	$ 3,189,247	$ 3,036,376

See accompanying notes to consolidated financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits
for the year ended March 31, 2005

	2005	2004 (Restated - see Note 3)
		(in thousands)
Increase in Assets		
Investment activities (Note 4)	$ 243,207	$ 591,724
Contributions		
Employers' - matched	43,860	37,401
Employees' - matched	43,860	37,401
Employees' - unmatched	1,205	5,195
Interest on the purchase of prior years' service	564	1,056
Transfers from other pension plans	810	2,912
	90,299	83,965
Total increase in assets	333,506	675,689
Decrease In Assets		
Benefits paid	164,074	155,366
Operating expenses (Note 8)	8,233	7,591
Refund of contributions and interest and transfers to other pension plans	8,139	24,396
Total decrease in assets	180,446	187,353
Increase in Net Assets	153,060	488,336
Net Assets Available for Benefits at Beginning of Year as previously reported	3,045,756	2,555,530
Prior Period Adjustment (Note 3).	(9,980)	(8,090)
Net Assets Available for Benefits at Beginning of Year as restated	3,035,776	2,547,440
Net Assets Available for Benefits at End of Year	$ 3,188,836	$ 3,035,776

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements
March 31, 2005

1. Authority and Description of Plan

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "Plan"), a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Act and Regulations.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund, which is invested in federal, provincial, municipal and corporate securities that qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 6.4% (5.4% prior to June 2004) of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 8% (7% prior to June 2004) of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
- age 50 with an age plus pensionable service factor of 80 - "Rule of 80" ;
- age 55 with two years of service (reduced pension);
- age 60 with two years of service;
- age 65.

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to $16.6 million for the year ended March 31, 2005 (2004 - $16.3 million).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation:
These consolidated financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation:
The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan and its subsidiaries.

(c) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the trade dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments:

(i) Investments are reported as of the trade date and are stated at market value as at year end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Money market securities, fixed income securities and equities are valued at quoted market prices.

Private equity values are estimated with appropriate valuation techniques and best estimates of managers or appraisers.

(ii) The derivative contracts held by the Fund at year-end are valued using quoted market indices. The gains and losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired in the current fiscal year, properties, including real estate mortgages, are valued annually by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

The fair value of any real estate which has been recently acquired is based on the purchase price.

(e) Investment Income/Loss:

Investment income/loss includes interest, dividends and operating income/loss from real estate, which is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments, and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-investment Assets and Liabilities:

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

(g) Contributions:

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(h) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(i) Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(j) Financial Instruments:

The Fund's financial instruments include cash, contributions receivable, receivable from the Province of Nova Scotia, investments, net investment transactions outstanding, accounts payable and real estate mortgages. It is management's opinion, unless otherwise noted, that the Fund is not exposed to significant interest, currency or credit risks from its financial instruments.

The Fund's short-term financial instruments, consisting of cash, contributions receivable, receivable from the Province of Nova Scotia, net investment transactions outstanding, and accounts payable are carried at cost which, due to their short-term nature, approximates their fair value. Investments and real estate mortgages are carried at fair value as described in notes 2 and 3 and are subject to interest, currency and credit risks as described in note 4.

3. Prior Period Adjustment:

Calculations of accrued income for fixed income securities, as stated in financial statements for prior years, were found to contain errors relating to real return bonds. These errors were corrected, and accrued investment income amounts were restated in these financial statements. The net assets available for benefits were reduced by $8.1 million as at March 31, 2003. The increase in net assets for years 2005 and 2004 was reduced by $1.5 million and $1.9 million respectively and is included in these financial statements.

Accordingly, certain comparative figures have been restated from those previously reported in order to properly account for accrued investment income.

4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effect of derivative contracts:

	As at March 31, 2005 Asset	%	For the Year Income (Loss) *	As at March 31, 2004 Asset	%	For the Year Income (Loss) * (Restated)
			(in thousands)			
Money market. .	$ 385,743	12.1	$ 7,726	$ 482,193	15.8	$ 9,372
Fixed income						
- Canadian . . .	998,597	31.2	53,127	906,666	29.7	103,708
- US Funds . . .	32,253	1.0	(1,511)	---	---	---
Equities						
- Canadian . . .	986,797	30.8	163,797	895,737	29.4	265,374
- US	490,238	15.3	(3,288)	457,792	15.0	103,638
- Other foreign	199,209	6.2	(5,048)	236,508	7.8	59,632
Real Estate						
- Canadian . . .	54,530	1.7	3,598	21,803	0.7	541
- Pooled fund .	53,696	1.7	4,817	49,325	1.6	2,424
Derivatives	1,163	---	19,931	(403)	---	46,992
Other	---	---	58	---	---	43
	$ 3,202,226	100.0	$ 243,207	$ 3,049,621	100.0	$ 591,724

* Includes realized gains of $86.1million ($47.8 million - 2004) and unrealized gains of $52.8 million ($413.0 million - 2004).

(b) Derivative Contracts:

Derivatives are financial contracts, the value of which is "derived" from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

Bond futures are contractual agreements to buy or sell the financial instrument at the contracted date and price. Bond futures have been used to adjust asset mix during the year.

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and
- enters into derivatives only for the purposes of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

The following table provides details of these derivative contracts outstanding as at March 31, 2005.

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
		(in thousands)			
$ 21,471	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ 736
51,279	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	194
82,535	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	233
$ 155,285					$ 1,163

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

(c) Market value of investments and related income after allocating the effects of derivative contracts:

	As at March 31, 2005 Asset	%	For the Year Income *	As at March 31, 2004 Asset	%	For the Year Income (Loss) * (Restated)
			(in thousands)			
Money market. .	$ 230,218	7.2	$ 4,197	$ 298,296	9.8	$ 5,182
Fixed income						
- Canadian . . .	998,597	31.2	53,642	906,666	29.7	103,336
- US Funds . . .	32,253	1.0	(1,511)	---	---	---
Equities						
- Canadian . . .	1,143,485	35.7	186,742	1,079,231	35.4	316,928
- US	490,238	15.3	(3,288)	457,792	15.0	103,638
- Other foreign	199,209	6.2	(5,048)	236,508	7.8	59,632
Real Estate						
- Canadian . . .	54,530	1.7	3,598	21,803	0.7	541
- Pooled fund .	53,696	1.7	4,817	49,325	1.6	2,424
Other	---	---	58	---	---	43
	$ 3,202,226	100.0	$ 243,207	$ 3,049,621	100.0	$ 591,724

* Includes realized gains of $86.1 million ($47.8 million - 2004) and unrealized gains of $52.8 million ($413.0 million - 2004).

(d) Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

(i) Interest rate risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

The following breakdown of fixed income securities as at March 31, 2005 is summarized in the following table:

	March 31,2005						March 31, 2004	
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
	(in thousands)					%		%
Money market	$ 385,743	$ ---	$ ---	$ ---	$ 385,743	2.6	$ 482,193	2.2
Bonds and debentures	41,787	324,437	273,271	238,609	878,104	5.3	795,406	5.7
Real return bonds	---	---	---	120,493	120,493	3.0	111,260	3.6
US fixed income	581	7,289	21,416	2,967	32,253	6.7	---	---
Total	$ 428,111	$ 331,726	$ 294,687	$ 362,069	$ 1,416,593		$ 1,388,859	

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

(ii) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's currency exposure from net investment assets as at March 31, 2005 is summarized in the following table.

Currency	**March 31, 2005**	**March 31, 2004 (Restated)**
	(in thousands)	
Canada	$ 2,477,590	$ 2,360,136
United States	551,936	489,631
Euro Zone	44,977	69,085
Japan	56,176	39,857
United Kingdom	26,911	39,169
Other	49,503	60,154
Total	$ 3,207,093	$ 3,058,032

5. Real Estate Mortgages:

Real estate mortgages are carried at fair value and have various terms to maturity to 2015 with each mortgage secured by a specific real property. Nominal rates range from 5.3% to 6.9%.

Scheduled principal repayments in each of the next five years, beginning April 1, 2005 are as follows:

2005	$ 269
2006	336
2007	1,154
2008	345
2009	366
Thereafter	14,535
Total	$ 17,005

The real estate mortgage payables are valued at fair value based on prevailing interest rates.

6. Actuarial Asset Value Adjustment:

The actuarial asset value adjustment is comprised of the following:

	2005	2004
	(in thousands)	
Service Buy-Back Receivable	$ 411	$ 600

This receivable represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

7 Accrued Pension Benefits and Deficiency:

Actuarial valuations of the Fund are carried out annually and provide an estimate of the accrued pension benefits ("Fund liabilities") calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed a valuation as at December 31, 2004 and issued their report in June 2005. The report indicated that the Plan had an unfunded liability of $542.7 million (December 31, 2003 - $492.8 million). A projection to March 31, 2005, applying the same assumptions, indicated an unfunded liability of $540.0 million (March 31, 2004 - $475.6 million).

The following table reflects the unfunded liability as at March 31, 2005 and as at March 31, 2004 after the prior period adjustment.

	2005	2004
	(thousands)	
Actuarial value of assets:	$ 3,189,247	$ 3,036,376
Accrued pension benefits:	3,729,200	3,522,000
Unfunded liability:	$ (539,953)	$ (485,624)

Reconciliation of changes in accrued pension benefits:

	2005	2004
	(thousands)	
Accrued pension benefits at beginning of year	$ 3,522,000	$ 3,318,275
Interest on accrued pension benefits at 7.38%	259,836	244,806
Contributions and transfers from other pension plans.	90,299	83,965
Current service cost in excess of contributions	18,500	24,000
Net impact of experience gains and losses relating to accrued pension benefits	10,778	30,716
Benefits paid	(164,074)	(155,366)
Refunds of contributions and interest and transfers to other pension plans	(8,139)	(24,396)
Accrued pension benefits at end of year	$ 3,729,200	$ 3,522,000

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five year average salary at the expected date of retirement. The actuaries have used the unit credit method of determining the current cost and actuarial liability.

The major economic and demographic assumptions used in the last valuation are as follows:

	Valuation December 31, 2004	**Valuation December 31, 2003**
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.5%	0.5% per annum real plus merit ranging from 0.0% to 2.5%
Real Rate of Return on Investment	4.25% per annum	4.25% per annum
Average Retirement Age	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

There was one change in major actuarial assumptions and methodology used for December 31, 2004 as compared to December 31, 2003. Prior to 2004, the net assets available for benefits was subject to an actuarial asset value adjustment known as asset smoothing, which moderated the effects of market volatility on investment value. The adjustment was based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return. The investment gain or loss in each year (relative to actuarial assumptions) was amortized over the current year and the following two years. The actuarial asset value adjustment reflected the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. This adjustment was subject to the condition that the actuarial asset value would not be greater than the fair market value of investments. For the valuation as at December 31, 2004, this adjustment has been eliminated.

Elimination of smoothing will not require restatement of asset figures for the fiscal year ending March 31, 2004. The actuarial value of assets as at that date was equal to the market value of assets; therefore, there was no asset smoothing adjustment.

8. Operating Expenses:

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

		2005		2004
		(in thousands)		
Plan Administration				
Professional services	$	322	$	170
Salaries		799		714
Supplies and services		303		333
Travel		7		10
Other		108		79
	$	1,539	$	1,306
Investment Expenses				
Investment management fees	$	6,138	$	5,782
Professional services		60		41
Salaries		376		318
Supplies and services		90		107
Travel		12		13
Other		18		24
		6,694		6,285
Total Operating Expenses	$	8,233	$	7,591

9. Related Party Transactions:

Investments include debentures of the Province of Nova Scotia with total market value of $18.3 million (0.6% of total assets) as at March 31, 2005 ($17.8 million (0.6% of total assets) as at March 31, 2004).

AUDITOR'S REPORT

To the Chairperson and Members of the
Nova Scotia Talent Trust

I have examined the consolidated balance sheet of the Nova Scotia Talent Trust as at March 31, 2005 and the consolidated statement of revenue, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenue, excess (deficiency) of revenue over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenue referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 2005 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
June 3, 2005

NOVA SCOTIA TALENT TRUST

Consolidated Balance Sheet
as at March 31, 2005

	2005	2004
ASSETS		
Current		
Cash	$ 9,566	$ 985
Investments (Note 2)		
General	31,511	40,662
Simpson	5,997	---
	37,508	40,662
Donation receivable	---	7,000
Accounts receivable	1,000	---
Prepaid expenses	---	100
Total Assets	$ 48,074	$ 48,747
LIABILITIES		
Current		
Accounts payable	$ 167	$ 1,465
Deferred revenue	---	---
	167	1,465
FUND BALANCE		
Fund balance		
Unappropriated (Schedule 1)	6,836	7,922
Appropriated (Schedule 2)	41,071	39,360
	47,907	47,282
Total Liabilities and Fund Balance	$ 48,074	$ 48,747

NOVA SCOTIA TALENT TRUST

Consolidated Statement of Revenue, Expenses and Fund Balance
for the Year Ended March 31, 2005

	2005	2004
Revenue		
Grant - Province of Nova Scotia	$ 50,000	$ 50,000
Fund raising (Gala) (Note 3)	16,854	10,470
Fund raising activities (donations)	2,325	8,900
Interest income	866	825
	70,045	70,195
Expenses		
Talent trust grants	47,500	49,000
Special Awards	4,400	3,800
Fundraising (Gala) costs	15,026	23,949
Administration expenses (Note 4)	2,494	2,981
	69,420	79,730
Excess (deficiency) of revenue over expenses	625	(9,535)
Fund Balance, beginning of period	47,282	56,817
Fund Balance, end of period	$ 47,907	$ 47,282

NOVA SCOTIA TALENT TRUST

Schedule 1

Operating Fund Balance Sheet
as at March 31, 2005

		2005		2004
ASSETS				
Current				
Cash	$	9,566	$	985
Prepaid expenses		---		100
Accounts receivable		1,000		---
Due from Investment Fund		---		2,302
		10,566		3,387
Other				
Due from Investment Fund		5,000		6,000
Total Assets	$	15,566	$	9,387
LIABILITIES				
Current				
Accounts payable	$	167	$	1,465
Deferred revenue		---		---
Due to Investment Fund		8,563		---
Total Liabilities		8,730		1,465
FUND BALANCE				
Fund balance - unappropriated (Schedule 3)		6,836		7,922
Total Liabilities and Fund Balance	$	15,566	$	9,387

NOVA SCOTIA TALENT TRUST

Schedule 2

Investment Fund Balance Sheet
as at March 31, 2005

		2005		2004
ASSETS				
Current				
Investments (Note 2)				
General	$	31,511	$	40,662
Simpson		5,997		---
		37,508		40,662
Donation receivable		---		7,000
Due from Operating		8,563		---
Total Assets	$	46,071	$	47,662
LIABILITIES				
Current				
Due to Operating Fund	$	---	$	2,302
Long-Term				
Due to Operating Fund		5,000		6,000
		5,000		8,302
FUND BALANCE				
Fund balance - appropriated (Schedule 4)		41,071		39,360
Total Liabilities and Fund Balance	$	46,071	$	47,662

NOVA SCOTIA TALENT TRUST

Schedule 3

Operating Fund
Statement of Revenue, Expenses and Fund Balance
for the Year Ended March 31, 2005

	2005	2004
Revenue		
Grant - Province of Nova Scotia . . . . $	50,000 $	50,000
Fund raising (Gala) (Note 3)	16,854	10,470
Donations	1,460	1,900
Interest income	20	19
	68,334	62,389
Expenses		
Talent Trust grants	47,500	49,000
Special Awards.	4,400	3,800
Fundraising (Gala costs).	15,026	23,949
Administration expenses (Note 4)	2,494	2,981
	69,420	79,730
Excess (deficiency) of revenue over expenses	(1,086)	(17,341)
Fund Balance, beginning of period	7,922	7,263
	6,836	(10,078)
Transfers from Investment Fund	---	18,000
Fund Balance, end of period . . . . $	6,836 $	7,922

Schedule 4

Investment Fund
Statement of Revenue, Expenses and Fund Balance
for the Year Ended March 31, 2005

	2005	2004
Revenue		
Donations	$ 865	$ 7,000
Interest income	846	806
	1,711	7,806
Expenses	---	---
Excess of revenue over expenses	1,711	7,806
Fund Balance, beginning of period	39,360	49,554
	41,071	57,360
Transfers to Operating Fund	---	(18,000)
Fund Balance, end of period	$ 41,071	$ 39,360

NOVA SCOTIA TALENT TRUST

Notes to Financial Statements
March 31, 2005

1. Authority

The Nova Scotia Talent Trust was established pursuant to the provisions of the Nova Scotia Companies Act and is a registered charitable organization. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the arts.

2. Investments

Short-term investments are recorded at the lower of cost and market value. Investments consist of four Royal Bank Mutual Funds - 2 RBC Canadian T-Bill Funds, RBC Monthly Income Fund and, RBC Balanced Fund. The market value of these investments as of March 31, 2005 was $38,889.

3. Government Grants

Fund raising activities include a $5,000 grant from the Nova Scotia Department of Tourism, Culture and Heritage.

4. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Nova Scotia Department of Tourism, Culture and Heritage on behalf of the Trust.

5. Statement of Cash Flow

A Statement of Cash Flow is not provided as disclosure in the balance sheet and statement of revenue, expenses and fund balance and supporting schedules is considered adequate.

6. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism, Culture and Heritage. The Department provides the Trust with grants which account for approximately 78% of it's annual revenue. These grants are needed to cover the Trust's annual talent trust grant disbursements.

7. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Teachers' Pension Fund as at December 31, 2004 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the fund as at December 31, 2004 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
April 8, 2005

NOVA SCOTIA TEACHERS' PENSION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at December 31, 2004

		2004		2003 (Restated- see Note 3)
		(in thousands)		
NET ASSETS AVAILABLE FOR BENEFITS				
Assets				
Investments (Note 5)	$	3,882,820	$	3,661,083
Receivable from the Province of Nova Scotia (Note 1)		36,461		59,178
Contributions receivable				
Employees'		1,276		1,246
Employers'		4,196		4,789
Accrued income		11,583		11,504
Net investment transactions outstanding		1,072		---
Prepayment and sundry receivables		546		440
Cash		1,963		974
Total assets		3,939,917		3,739,214
Liabilities				
Real estate mortgages (Note 6)		14,728		---
Net investment transactions outstanding		---		7,061
Accounts payable		24,793		22,928
Total liabilities		39,521		29,989
Net assets available for benefits	$	3,900,396	$	3,709,225
ACCRUED PENSION BENEFITS NET OF DEFICIENCY				
Accrued pension benefits (Note 7)	$	4,774,410	$	4,591,045
Deficiency (Note 7)		(874,014)		(881,820)
Accrued pension benefits net of deficiency	$	3,900,396	$	3,709,225

See accompanying notes to consolidated financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits
for year ended December 31, 2004

	2004	2003 (Restated see Note 3)
	(in thousands)	
Increase In Assets		
Investment activities (Note 5) $	323,776	$ 465,686
Interest - Receivable from Province of Nova Scotia	3,657	5,544
	327,433	471,230
Contributions		
Employers' - matched	55,323	53,765
Employees' - matched	55,323	53,765
Employers' - unmatched - Province	---	15,977
Employees' - unmatched	1,898	1,598
Transfers from other pension plans	1,576	1,160
	114,120	126,265
Total increase in assets	441,553	597,495
Decrease In Assets		
Benefits paid	238,106	219,795
Operating expenses (Note 8)	9,194	7,890
Refund of contributions and interest and transfers to other pension plans	3,082	3,282
Total decrease in assets	250,382	230,967
Increase in Net Assets	191,171	366,528
Net Assets Available for Benefits at Beginning of Year as previously reported.	3,719,809	3,350,712
Prior Period Adjustment (Note 3).	(10,584)	(8,015)
Net Assets Available for Benefits at Beginning of Year as restated.	3,709,225	3,342,697
Net Assets Available for Benefits at End of Year $	3,900,396	$ 3,709,225

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2004

1. Authority and Description of Plan

The Teachers' Pension Fund (the "Fund") was established by the Teachers' Pension Act (the "Act"). It is the funding vehicle for the Teachers' Pension Plan (the "Plan"), a pension plan which covers public school and community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") per the Canada Pension Plan ("CPP") and 9.9 % of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
- 35 years of service;
- age 50 with 30 years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
- age 55 with two years of service (reduced pension);
- age 60 with 10 years of service;
- age 65 with two years of service.

On July 22, 1994 the Governor in Council authorized an early retirement program (ERP) for Plan members. Each employing school board and participating employer was required to pay into the Fund an amount in respect of each eligible teacher in the employ of the school board or participating employer who retired in accordance with these regulations. At December 31, 2004 the balance outstanding was $36.1 million (December 31, 2003 - $59.2 million). Order-in Council 2002-181 dated April 26, 2002 transferred responsibility for making these payments from the school boards to the Province. A new consolidated schedule of payments was set up retroactive to January 31, 2002. The last payment under this schedule will be made on July 31, 2008. There is also a remaining balance of $0.3 million relating to APSEA, for which the Province has also taken over responsibility.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation

The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan, and its subsidiaries.

(c) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at the year-end date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments

(i) Investments are reported as of trade date and are stated at market value as at year end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Money market securities, fixed income securities and equities are valued at quoted market prices.

Private equity values are estimated with appropriate valuation techniques and best estimates of managers or appraisers.

(ii) The derivative contracts held by the Fund at year-end are valued using quoted market indices. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired, properties are valued annually, by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

The fair value of any real estate which has been recently acquired is based on the purchase price.

(e) Investment income/loss

Investment income/loss includes interest, dividends and operating income/loss from real estate, which is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-Investment Assets and Liabilities

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

(g) Contributions

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(h) Benefits

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(j) Financial Instruments

The Fund's financial instruments include cash, contributions receivable, receivable from the Province of Nova Scotia, investments, net investment transactions outstanding, accounts payable and real estate mortgages. It is management's opinion, unless otherwise noted, that the Fund is not exposed to significant interest, currency or credit risks from its financial instruments.

The Fund's short-term financial instruments, consisting of cash, contributions receivable, receivable from the Province of Nova Scotia, net investment transactions outstanding, and accounts payable are carried at cost which, due to their short-term nature, approximates their fair value. Investments and real estate mortgages are carried at fair value as described in notes 2 and 3 and are subject to interest, currency and credit risks as described in note 4.

3. Prior Period Adjustment

Calculations of accrued income for fixed income securities, as stated in financial statements for prior years, were found to contain errors relating to real return bonds. These errors were corrected, and accrued investment income amounts were restated in these financial statements. The net assets available for benefits were reduced by $8.0 million as at December 31, 2002. The increase in net assets for years 2004 and 2003 was reduced by $2.4 million and $2.6 million respectively and is included in these financial statements.

Accordingly, certain comparative figures have been restated from those previously reported in order to properly account for accrued investment income.

4. Agreement to Address Unfunded Liability

On November 25, 1993, the Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Province of Nova Scotia to address the unfunded liability in the Plan.

As part of this agreement the Province agreed to pay $300 million into the Fund. By July 18, 1997 the Province had paid the amount in full.

The Province also agreed to make payments over a ten year period equal to $10 million per year in 1993, increased by 7.5% per year. This commitment is set out in Schedule B of the Teachers' Pension Act (Note 6). The last payment under Schedule B was received in August 2003.

Under the terms of the agreement a review of the Plan's financial status was to be carried out in 2003. The Teachers' Pension Partners Board established a committee (2003 Review Committee) to undertake this review.

5. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	As at December 31, 2004		For the Year	As at December 31, 2003		For the Year
	Assets	%	Income *	Assets	%	Income (Loss) * (Restated)
	(in thousands)					
Money market	$ 594,905	15.4	$ 9,062	$ 536,195	14.7	$ 10,417
Fixed income Canadian	1,142,958	29.4	92,288	1,096,223	29.9	87,606
Fixed income US fund	39,878	1.0	(1,436)	---	---	---
Equities						
Canadian	1,170,589	30.2	183,111	1,115,246	30.5	242,494
US	584,266	15.0	8,606	578,837	15.8	57,160
Other foreign	233,986	6.0	2,069	279,114	7.6	25,929
Real Estate - Canadian	53,498	1.4	2,497	9,356	0.3	301
Real Estate - Pooled fund	54,947	1.4	4,104	37,537	1.0	2,468
Derivatives	7,793	0.2	23,379	8,575	0.2	39,285
Other	---	---	96	---	---	26
	$ 3,882,820	100.0	$ 323,776	$ 3,661,083	100.0	$ 465,686

* Includes realized gains of $120.7 million (realized losses of $6.6 million - 2003) and unrealized gains of $76.0 million ($327.6 million - 2003).

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

Bond futures are contractual agreements to buy or sell the financial instrument at the contracted date and price. Bond futures have been used to adjust duration and risk profile during the year.

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and

- enters into derivatives only for the purpose of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

The following table provides details of the derivative money market-to-equity swap contracts outstanding as at December 31, 2004.

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
		(in thousands)			
$ 20,503	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ 752
42,399	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	775
64,382	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	2,634
91,366	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	3,632
$ 218,650					$ 7,793

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	As at December 31, 2004 Assets	%	For the Year Income (Loss) * (in thousands)	As at December 31, 2003 Assets	%	For the Year Income (Loss) * (Restated)
Money market.	$ 375,437	9.7	$ 5,269	$ 343,644	9.4	$ 5,806
Fixed income Canadian	1,142,958	29.4	92,427	1,096,223	29.9	87,416
Fixed income US fund	39,878	1.0	(1,436)	---	---	---
Equities						
Canadian	1,397,850	36.1	210,144	1,316,372	36.0	286,580
US	584,266	15.0	8,606	578,837	15.8	57,160
Other foreign . . .	233,986	6.0	2,069	279,114	7.6	25,929
Real Estate - Canadian . . .	53,498	1.4	2,497	9,356	0.3	301
Real Estate - Pooled fund	54,947	1.4	4,104	37,537	1.0	2,468
Other	---	---	96	---	---	26
	$ 3,882,820	100.0	$ 323,776	$ 3,661,083	100.0	$ 465,686

* Includes realized gains of $120.7 million (realized losses of $6.6 million - 2003) and unrealized gains of $76.0 million ($327.6 million - 2003).

(d) Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

(i) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has extablished an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

The following summarizes the maturities of fixed income securities as at December 31, 2004:

	2004						2003	
	Within 1 year	**1 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total**	**Average effective yield**	**Total**	**Average effective yield**
	(in thousands)					%		%
Money market	$ 594,905	$ ---	$ ---	$ ---	$ 594,905	2.5	$ 536,195	2.8
Bonds and debentures	31,321	386,970	277,965	314,523	1,010,779	5.5	980,907	5.7
Real return bonds	---	---	---	132,179	132,179	3.3	115,316	3.8
Fixed income US Funds	518	9,451	26,918	2,991	39,878	5.9	---	---
Total	$ 626,744	$ 396,421	$ 304,883	$ 449,693	$ 1,777,741		$ 1,632,418	

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

(ii) Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's currency exposure from net investment assets as at December 31, 2004 is summarized in the following table:

Currency	**2004**	**2003 (Restated)**
	(in thousands)	
Canada	$ 3,014,069	$ 2,800,769
United States	658,464	626,270
Euro zone	49,882	82,773
Japan	69,134	31,939
United Kingdom	31,816	43,363
Other	59,051	81,359
Total	$ 3,882,416	$ 3,666,473

6. Real estate mortgages

Real estate mortgages have various terms to maturity to 2015 with each mortgage secured by a specific real property. Nominal rates range from 5.3% to 6.9%.

Scheduled principal repayments in each of the next five years, beginning January 1, 2005 are as follows:

2005.	$	284
2006.		306
2007.		1,300
2008.		306
2009.		325
Thereafter		11,461
Total	$	13,982

The real estate mortgage payables are valued at fair value based on prevailing interest rates.

7. Accrued Pension Benefits

Actuarial valuations of the Fund are required every year by the Act, and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer Human Resources Consulting, performed a valuation as at December 31, 2004 and issued their report in June 2005. The report indicated that the Plan had an unfunded liability of $874.1 million (December 31, 2003 - $871.2 million).

The following table reflects the unfunded liability as at December 31, 2004 and as at December 31, 2003 after the prior period adjustment.

		2004		2003
Actuarial value of assets:	$	3,900,396	$	3,709,225
Accrued pension benefits:		4,774,410		4,591,045
Unfunded liability:	$	(874,014)	$	(881,820)

Reconciliation of changes in accrued pension benefits:

		2004		2003
Accrued pension benefits at beginning of year	$	4,591,045	$	4,380,224
Interest on accrued pension benefits at 7.38%		338,704		323,151
Contributions and transfers from other pension plans		114,120		110,288
Contributions in excess of current service cost		(10,829)		(9,583)
Refunds of contributions and interest and transfers to other pension plans		(3,082)		(3,282)
Benefits paid		(238,106)		(219,795)
Net impact of experience gains and losses relating to accrued pension benefits		(17,442)		10,042
Accrued pension benefits at end of year	$	4,774,410	$	4,591,045

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability.

The major economic and demographic assumptions used in the valuation are as follows:

	Valuation December 31, 2004	**Valuation December 31, 2003**
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.75%	0.5% per annum real plus merit ranging from 0.0% to 2.75%
Real Rate of Return on Investments	4.25% per annum	4.25% per annum
Average Retirement Age	60% - Retire at earliest date first eligible for an unreduced pension 40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service	60% - Retire at earliest date first eligible for an unreduced pension 40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service
Mortality	1994 Group Annuitant Mortality Table projected to 2000 using scale AA	1994 Group Annuitant Mortality Table projected to 2000 using scale AA

There have been no changes in the major actuarial assumptions and methodology used for the 2004 valuation as compared to the 2003 valuation.

8. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2004	2003
	(in thousands)	
Plan Administration		
Professional services	$ 270	$ 241
Salaries	768	679
Supplies and services	215	357
Travel	10	8
Other	97	103
	$ 1,360	$ 1,388
Investment Expenses		
Investment management fees	$ 7,273	$ 5,901
Professional services	70	33
Salaries	359	360
Supplies and services	104	164
Travel	11	13
Other	17	31
	$ 7,834	$ 6,502
Total Operating Expenses	$ 9,194	$ 7,890

9. Related Party Transactions

Investments held in the Fund include debentures of the Province of Nova Scotia with a total market value of $34.7 million (0.9% of total assets) as at December 31, 2004 ($34.9 million (0.9% of total assets) as at December 31, 2003).

10. Subsequent Event

The 2003 Review Committee (see Note 4) developed two proposals, one of which was approved by a majority of voting members of the Union in March 2005.

The approved proposal replaces the Minister of Finance as trustee, implementing a new Corporate Trustee with a Board of Directors, the latter being jointly comprised of both Union and Province representatives. To improve funding levels, the Province is required to make a $142 million contribution to the Plan and future Indexing is now tied to the Plan's funded position as determined by its actuarial funding valuation. The Union and the Province are in the process process of signing the 2005 Agreement to finalize the terms of the proposal.

AUDITORS' REPORT

To the Chair and Members of
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board at March 31, 2005, and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 Board as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
May 27, 2005

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Operations
Year Ended March 31, 2005

	Budget	2005	2004 Restated
Revenue			
Grant from the Province of Nova Scotia (Note 2)	$ 2,882,000	$ 2,882,000	$ 2,737,000
Recoveries (Notes 2 and 9)	339,001	1,864,621	1,070,490
Assessments to utilities (Note 2)	1,135,315	1,134,817	966,632
Interest	16,000	15,980	16,757
	4,372,316	5,897,418	4,790,879
Expenses			
Salaries, wages and benefits	3,141,000	3,028,427	2,901,758
Consulting and legal fees	168,400	1,479,807	1,011,507
Rent and business taxes (Note 10)	442,927	431,263	415,693
Travel	277,174	167,056	181,056
Equipment (Note 3)	36,396	101,763	42,976
Transcribing and printing	37,500	76,731	50,791
Depreciation	60,508	57,325	63,415
Office supplies and services	51,300	53,004	35,997
Advertising	30,000	44,469	40,994
Sundry expenses	17,000	36,661	31,469
Dues and fees	30,780	31,146	29,587
Telecommunications	29,300	20,626	25,478
Maintenance	23,100	19,419	17,123
Postage and couriers	13,800	17,112	12,463
Staff training and development	32,600	14,171	36,010
Books and reports	14,600	13,590	16,657
Bad debts	---	3,120	---
	4,406,385	5,595,690	4,912,974
Operating surplus (deficit) for the year	$ (34,069)	$ 301,728	$ (122,095)

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Accumulated Surplus
Year Ended March 31, 2005

	2005		
	Province of Nova Scotia	**Public Utilities**	**Total**
Restricted (Note 12)			
Balance, beginning of year,restated . . . .$	257,436 $	92,441 $	349,877
Transferred from general.	216,519	85,209	301,728
Balance, end of year	473,955	177,650	651,605
General			
Balance, beginning of year, restated	---	---	---
Operating deficit.	216,519	85,209	301,728
Transferred to restricted	(216,519)	(85,209)	(301,728)
Balance, end of year	---	---	---
Total accumulated surplus. . . . . $	473,955 $	177,650 $	651,605

	2004		
	Province of Nova Scotia	**Public Utilities**	**Total**
Restricted (Note 12)			
Balance, beginning of year . . . .$	439,793 $	161,551 $	601,344
Restatement (Note 15).	(94,616)	(34,756)	(129,372)
Balance, beginning of year, as restated.	345,177	126,795	471,972
Transferred to general.	(87,741)	(34,354)	(122,095)
Balance, end of year	257,436	92,441	349,877
General			
Balance, beginning of year	65,201	88,110	153,311
Restatement (Note 15).	(65,201)	(88,110)	(153,311)
Balance, beginning of year, as restated.	---	---	---
Operating deficit.	(87,741)	(34,354)	(122,095)
Transferred from restricted	87,741	34,354	122,095
Balance, end of year	---	---	---
Total accumulated surplus. . . . . $	257,436 $	92,441 $	349,877

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Balance Sheet
March 31, 2005

	2005	2004 Restated
ASSETS		
Current		
Cash and cash equivalents (Notes 3, 5 and 13)	$ 858,266	$ 269,563
Receivable (Note 4)	1,080,805	1,360,334
Inventory	7,244	11,117
Prepaid expenses	44,490	15,430
	1,990,805	1,656,444
Service award advances	2,351	4,666
Capital assets (Page 452)	66,647	107,597
	$ 2,059,803	$ 1,768,707
LIABILITIES		
Current		
Payables and accruals	$ 421,058	$ 300,993
Due to related parties, non-interest bearing, no set terms of repayment	102,840	303,937
Advances for working capital (Note 7)	125,000	125,000
	648,898	729,930
Public service award liability (Note 8)	759,300	688,900
	1,408,198	1,418,830
SURPLUS (Note 2)		
Restricted (Note 12)	651,605	349,877
	$ 2,059,803	$ 1,768,707

Commitments (Note 10)

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Capital Assets
Year Ended March 31, 2005

	Cost				Accummulated Depreciation				2005	2004
	Opening	**Additions**	**Disposals**	**Closing**	**Opening**	**Expense**	**Disposals**	**Closing**	**Net Book Value**	**Net Book Value**
Furniture	$ 165,629	$ 5,280	$ ---	$ 170,909	$ 137,306	$ 6,713	$ ---	$ 144,019	$ 26,890	$ 28,323
Computer equipment	252,818	7,720	90,590	169,948	202,395	37,102	90,590	148,907	21,041	50,423
Computer software	38,787	---	1,147	37,640	20,935	8,927	1,147	28,715	8,925	17,852
Equipment	74,756	3,375	---	78,131	63,757	4,583	---	68,340	9,791	10,999
Total	$ 531,990	$ 16,375	$ 91,737	$ 456,628	$ 424,393	$ 57,325	$ 91,737	$ 389,981	$ 66,647	$ 107,597

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

Statement of Cash Flows
Year Ended March 31, 2005

Increase (decrease) in cash and cash equivalents	2005	2004 Restated
Operating		
Operating surplus (deficit)	$ 301,728	$ (122,095)
Depreciation	57,325	63,415
	359,053	(58,680)
Change in non-cash operating working capital (Note 11)	175,625	(625,083)
	534,678	(683,763)
Financing		
Increase in public service award liability	70,400	74,800
Investing		
Purchase of capital assets	(16,375)	(89,668)
Net Increase (decrease) in cash and cash equivalents	588,703	(698,631)
Cash and cash equivalents (Note 13)		
Beginning of year	269,563	968,194
End of year	$ 858,266	$ 269,563

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2005

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the Utility and Review Board Act. Section 15 of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Section 157 of the Insurance Act and Regulations made pursuant to Sections 41 and 42 of the Gas Distribution Act, and Section 44 of the Pipeline Act allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

Short term investments
Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

Capital assets
Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

Use of estimates
In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition
Revenue is recognized on an accrual basis. Recoveries revenue is recognized as the related expenditures occur.

Inventory
Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

Fair value of financial instruments
The Board's estimate of the fair value of cash and cash equivalents, accounts receivable, payables and accruals and due to related parties approximate their carrying value due to their short-term nature.

4. Receivables

		2005		2004
Due from related parties, non-interest bearing, no set terms of repayment	$	60,248	$	81,463
Trade		1,020,557		1,278,871
	$	1,080,805	$	1,360,334

In 2004 receivables totalling $419,377 were restricted to fund the post-retirement benefit obligation (Note 8).

5. Pledged assets

The Board has an operating line of credit of $150,000 of which none has been used at March 31, 2005. As security, the Board pledges short term investments.

6. Pensions

Public service superannuation fund
Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses and totalled $65,575 (2004 - $56,602). The Board is not responsible for any unfunded liability.

7. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2005	2004
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

8. Post Retirement Benefits

The Board sponsors two defined benefits programs for retirement benefits, other than pensions, for substantially all of its employees. Public Service Awards are paid on similar conditions to those found in the Civil Service Act to employees retiring from service. In addition, the Board contributes 65% of the cost of medical plan premiums on behalf of retiring employees and their survivors The Board is responsible for funding and eventual payment of these benefits. The Board funds post retirement benefit obligations through a combination of cash, investments and other assets. The liability is fully funded as March 31, 2005.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2005. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

Information about the post retirement obligations as at March 31, 2005 is as follows:

	2005	2004
Post retirement benefits liability		
Accrued benefit obligation, beginning of year	$ 688,900	$ 614,100
Retirement benefit service cost for the year	84,900	82,900
Interest on accrued benefit obligation	18,900	17,100
Benefit payment	(33,400)	(25,200)
Accrued benefit obligation, end of year	759,300	688,900
Funding of post retirement benefits		
Market value of assets, beginning of year	688,900	614,100
Contributions from the Board for the year	84,900	82,900
Interest paid from the Board	18,900	17,100
Benefits payments	(33,400)	(25,200)
Market value of assets, end of year	759,300	688,900
Net post retirement benefits liability, end of year	$ ---	$ ---

	2005	2004
Post retirement benefit expense		
Retirement benefit service cost for the year	$ 84,900	$ 82,900
Interest on accrued benefit obligation	18,900	17,100
	$ 103,800	$ 100,000

The retirement benefit expense is included in the Statement of Operations as a component of salaries, wages and benefits expense.

The significant assumptions adopted in measuring the Board's accrued benefit obligations are as follows:

Liability discount rate	2.50% per annum
Expected return on plan assets	2.50% per annum
Extended health care cost increases	9.00% for period ending April 1, 2006
Rate of compensation increase	3.25% to 5.75% depending on age

9. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as insurance, utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved. Expenses and recoveries relating to large hearings cannot be reasonably predicted or estimated in advance. Accordingly, no provision is made for these activities in the budget figures shown in the Statement of Operations.

The Board also recovers certain transcription, copying and other expenses from various sources.

10. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2014. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2006	237,179
2007	242,701
2008	242,701
2009	242,701
2010	242,701
Subsequently	1,112,380
	$ 2,320,363

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

11. Supplemental cash flow information

Change in non-cash operating working capital

		2005		2004
Accounts receivable	$	279,529	$	(742,857)
Inventory		3,873		(8,902)
Prepaid expenses		(29,060)		(15,430)
Service award advances		2,315		2,138
Payables, accruals and due to related parties		(81,032)		139,968
	$	175,625	$	(625,083)

12. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

		Province of Nova Scotia		Public Utilities		2005 Total		2004 Restated Total
Leasehold Improvements	$	215,279	$	84,721	$	300,000	$	---
Working capital	$	61,901	$	26,656	$	88,557	$	59,280
Tangible capital assets		45,346		21,301		66,647		107,597
Deferred capital expenditures		151,429		44,972		196,401		183,000
	$	473,955	$	177,650	$	651,605	$	349,877

The 2004 working capital restriction has been reduced by $290,720 as a result of the retroactive change in the method of accounting for Public Service Awards and post-retirement medical benefits.

13. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

		2005		2004
Cash on hand and balances with banks	$	60,744	$	111,572
Short-term investments		797,522		157,991
	$	858,266	$	269,563

$759,300 (2004 - $269,563) has been restricted to fund the post-retirement benefit obligation (Note 8).

14. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating independently from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its duties pursuant to the Liquor Control Act, Gaming Control Act and Theatre and Amusements Act are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	2005	2004
Statement of Operations:		
Grant from the Province of Nova Scotia	$ 2,882,000	$ 2,737,000
Recoveries:		
Premises sublet to Province.	25,727	24,570
Alcohol, gaming and amusement adjudicative costs	138,329	139,826
Office supplies expense.	10,373	9,838
Balance sheet:		
Receivables (Note 4)	60,248	81,463
Due to related parties.	102,840	303,937
Advances for working capital (Note 9).	125,000	125,000
Surplus	473,955	257,436

The transactions were recorded at the exchange amount which was the agreed upon amount by the parties.

15. Accounting Changes

During the year the Board retroactively changed the method of accounting for Public Service Awards and post retirement medical benefits to comply with generally accepted accounting standards for the public sector as set out in section 3250 of the CICA Public Service Sector Accounting Handbook. This standard, issued in September 2001, was not applied in previous financial statements. In past, Public Service Awards were accrued based on a calculation of the current value of the accumulated employee years of service as at the end of the fiscal year. Post retirement medical plan premium contributions were not previously accrued. For the year ended March 31, 2005 an actuarial estimate was prepared of the accrued benefit obligation relating to these programs and the associated benefit and interest costs. As a result of retroactively adopting section 3250, the following changes have been made:

		2004
Increase in salaries, wages and benefits expense	$	81,704
Increase in post retirement benefits liability	$	282,683
Decrease in opening accumulated surplus	$	282,683
Increase in transfer from restricted surplus to general surplus	$	82,842

16. Comparative figures

Certain of the comparative figures for 2004 have been reclassified to conform to the financial statement presentation adopted for the fiscal year 2005.

AUDITORS' REPORT

To the Board of Directors of
Pictou County Health Authority

We have audited the statement of financial position of Pictou County Health Authority as at March 31, 2005 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 Pictou County Health Authority as at March 31, 2005, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
May 25, 2005

PICTOU COUNTY HEALTH AUTHORITY

Statement of Financial Position
March 31, 2005

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total 2005	Total 2004
Current					
Cash and cash equivalents (Note 3). . . . . $	433,879 $	52,986 $	662,474 $	1,149,339 $	3,362,850
Investments (at cost, market value $1,126,630; . . . . 2004 - $1,111,839).	1,120,232	---	---	1,120,232	1,081,738
Receivables (Note 4)	2,827,146	1,112,911	---	3,940,057	2,942,932
Due from other funds	663,752	---	197,174	860,926	680,973
Inventories.	320,249	---	---	320,249	305,578
Prepaids	284,251	---	---	284,251	250,871
	5,649,509	1,165,897	859,648	7,675,054	8,624,942
Other receivables (Note 5)	5,252,579	---	---	5,252,579	4,741,844
Capital assets (Note 6)	---	41,084,805	---	41,084,805	40,934,246
$	10,902,088 $	42,250,702 $	859,648 $	54,012,438 $	54,301,032

LIABILITIES

	Operating Fund	Capital Fund	Endowment Fund	Total 2005	Total 2004
Current					
Payables and accruals (Note 7) . . . . $	6,047,529 $	54,879 $	--- $	6,102,408 $	6,102,612
Due to other funds	197,174	663,752	---	860,926	680,973
Deferred revenue	2,230,166	708,708	---	2,938,874	2,825,406
Current portion of obligations under capital lease	---	---	---	---	11,897
	8,474,869	1,427,339	---	9,902,208	9,620,888
Retirement allowances (Note 8) .	3,659,693	---	---	3,659,693	3,148,958
	12,134,562	1,427,339	---	13,561,901	12,769,846

FUND BALANCES (Page 464)

	Operating Fund	Capital Fund	Endowment Fund	Total 2005	Total 2004
Restricted	---	---	859,648	859,648	717,984
Unrestricted.	(1,232,474)	---	---	(1,232,474)	152,747
Investment in capital assets.	---	40,823,363	---	40,823,363	40,660,455
	(1,232,474)	40,823,363	859,648	40,450,537	41,531,186
$	10,902,088 $	42,250,702 $	859,648 $	54,012,438 $	54,301,032

Commitments (Note 11)

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Operations - Operating Fund
Year Ended March 31, 2005

	2005	2004
Revenues		
Nova Scotia Department of Health	$ 46,757,002	$ 43,119,226
Charges to M.S.I..	2,869,907	2,668,629
Department of Veterans Affairs	1,750,296	1,719,846
In-patients	781,048	810,653
Out-patients.	316,042	293,075
Rental Income.	289,693	295,295
Early Identification and Intervention program	70,416	56,716
Investment income.	66,717	108,027
Food services.	---	7,683
Laboratory.	62,116	56,725
Project Funding	56,234	75,080
Other income	34,269	72,842
	53,053,740	49,283,797
Expenses		
In-patient services.	20,598,178	19,492,840
Ambulatory services.	9,689,539	8,401,065
Diagnostic and therapeutic services.	7,611,328	7,366,251
Support services.	12,482,922	10,797,858
Community health services	2,431,654	1,844,143
Rental expenses.	237,787	234,654
Research.	39,028	4,074
Education and library	189,278	74,305
Increase in vacation pay accrual.	304,345	106,876
Retirement allowance benefits	705,935	957,951
	54,289,994	49,280,017
(Deficiency) excess of revenues over expenses.	$ (1,236,254)	$ 3,780

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Changes in Fund Balances
Year Ended March 31, 2005

	Operating Fund	Capital Fund	Endowment Fund	Total 2005	Total 2004
Restricted					
Balance, beginning of year . . . . . $	--- $	11,897 $	706,087 $	717,984 $	572,756
Excess of revenues over expenses.	---	---	153,561	153,561	170,603
Transfer to Capital Fund	---	---	---	---	(6,149)
Transfer to unrestricted	---	(11,897)	---	(11,897)	(19,226)
Balance, end of year . . . . $	--- $	--- $	859,648 $	859,648 $	717,984
Unrestricted					
Balance, beginning of year . . . . . $	3,780 $	40,660,455 $	148,967 $	40,813,202 $	41,496,116
Transfer from restricted	---	11,897	---	11,897	19,226
Transfer to Capital Fund	---	---	(151,006)	(151,006)	---
(Deficiency) excess of revenues over expenses.	(1,236,254)	977	2,039	(1,233,238)	8,074
Capital asset funding					
Department of Health.	---	1,417,290	---	1,417,290	1,299,807
Foundations.	---	701,989	---	701,989	436,965
Auxiliary.	---	62,795	---	62,795	19,900
Endowment.	---	151,006	---	151,006	6,149
Other	---	111,785	---	111,785	67,952
Amortization	---	(2,294,532)	---	(2,294,532)	(2,539,305)
Capital debt charges	---	(299)	---	(299)	(1,682)
Balance, end of year . . . . $	(1,232,474) $	40,823,363 $	--- $	39,590,889 $	40,813,202

See accompanying notes to the financial statements

PICTOU COUNTY HEALTH AUTHORITY

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operations		
(Deficiency) excess of revenues over expenses - Operating Fund	$ (1,236,254)	$ 3,780
Excess of revenues over expenses - Capital Fund	977	1,353
Excess of revenues over expenses - Endowment Fund	155,600	173,544
	(1,079,677)	178,677
Change in non-cash working capital		
Receivables	(997,125)	916,975
Inventories	(14,671)	(20,444)
Prepaids	(33,380)	(114,292)
Payables and accruals	(204)	(910,593)
Deferred revenue	113,468	216,555
	(2,011,589)	266,878
Financing and investing		
Capital asset funding	2,293,859	1,824,624
Capital debt charges	(299)	(1,682)
Purchase of capital assets	(2,445,091)	(1,821,043)
Repayment long term debt and obligation under capital lease	(11,897)	(19,226)
	(163,428)	(17,327)
Net (decrease) increase in cash and cash equivalents	(2,175,017)	249,551
Cash and cash equivalents, beginning of year	4,444,588	4,195,037
Cash and cash equivalents, end of year	$ 2,269,571	$ 4,444,588

See accompanying notes to the financial statements

1. Nature of operations

Pictou County Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Pictou County Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community health services referred to above.

Pictou County Health Authority operates several health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital and related community health services.

The Pictou County Health Authority is a registered charity under the Income Tax Act of Canada and therefore, is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates
The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the health authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those reported.

Fund accounting
Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition
Pictou County Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the year in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories
Inventories are recorded at the lower of average cost or replacement value.

Capital assets

Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5-20 years
Equipment under capital lease	5-20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Retirement allowances

The authority accrues its retirement allowances obligation and the related costs, net of plan assets. The cost of retirement benefits (allowances) earned by employees is actuarily determined using the projected benefit method prorated on service.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments..

Financial instruments

The health authority's financial instruments consist of cash, investments, receivables, payable and accruals, and deferred revenue. Unless otherwise noted, it is management's opinion that the health authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximate their fair value unless otherwise noted.

3. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $45,903 (2004 - $27,980), held in trust on behalf of two employees deferred salary arrangements. An offset liability is included in payables and accruals and will be paid out in accordance with the terms and conditions of the arrangements.

4. Receivables

	Operating Fund	Capital Fund	Total 2005	Total 2004
Charges to M.S.I.. . . . . $	144,345 $	--- $	144,345 $	145,175
Foundation and Auxiliary	15,167	800,759	815,926	598,522
Harmonized sales tax.	237,866	43,531	281,397	323,530
Patients	407,322	---	407,322	282,717
Veterans Affairs Canada	205,421	---	205,421	126,556
Other	121,591	34,109	155,700	489,286
	1,131,712	878,399	2,010,111	1,965,786
Nova Scotia Department of Health				
Construction and equipment	---	234,512	234,512	538,554
Contract, NShiS and Other. .	1,695,434	---	1,695,434	438,592
	1,695,434	234,512	1,929,946	977,146
$	2,827,146 $	1,112,911 $	3,940,057 $	2,942,932

5. Other receivables

	Operating Fund	Total 2005	Total 2004
Nova Scotia Department of Health			
Vacation pay.	$ 1,592,886	$ 1,592,886	$ 1,592,886
Retirement allowances	3,659,693	3,659,693	3,148,958
	$ 5,252,579	$ 5,252,579	$ 4,741,844

7. Capital Assets

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Land	$ 32,378	$ ---	$ 32,378	$ 32,378
Land improvements	399,698	136,681	263,017	283,002
Buildings	51,656,943	15,536,872	36,120,071	36,536,956
Equipment	13,113,982	8,652,803	4,461,179	4,012,204
Equipment under capital lease	557,675	534,620	23,055	67,653
Construction in progress. . . .	185,105	---	185,105	2,053
	$ 65,945,781	$ 24,860,976	$ 41,084,805	$ 40,934,246

The Aberdeen Hospital Foundation and Aberdeen Hospital Trust have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The agreements specify that equipment purchased with funds provided by the foundation or the trust shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation or trust.

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2005	Total 2004
Trade	$ 3,422,457	$ 54,879	$ 3,477,336	$ 3,781,885
Vacation pay.	2,625,072	---	2,625,072	2,320,727
	$ 6,047,529	$ 54,879	$ 6,102,408	$ 6,102,612

8. Retirement allowances

The health authority operates a retirement allowance plan providing benefits for employees upon retirement. The most recent actuarial valuation was for the year ended December 31, 2003. Actuarial liabilities as at March 31, 2005 were extrapolated from the results of the December 31, 2003 actuarial valuation.

Information about the health authority's retirement benefit plan is as follows:

		2005		2004
Expense	$	705,935	$	957,951
Benefits paid	$	(195,200)	$	(166,300)
Accrued benefit liability recognized	$	3,659,693	$	3,148,958
Funding status - plan deficit	$	(4,011,500)	$	(3,598,200)
Unamortized net actuarial loss		351,807		449,242
	$	(3,659,693)	$	(3,148,958)

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2005:

Discount rate	6.05%
Rate of compensation increase	3.40% - 5.90%
Termination rates	1.20% - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

All accumulated liabilities of the retiring allowance program of the Pictou County Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2005.

9. Pension Plans

The health authority contributes to the following pension plans on behalf of its employees:

(i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2003 which indicated a funding surplus.

(ii) the second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At this time, there was an unfunded liability. The Pictou County Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The health authority's pension expense for the year amounted to $1,678,093 (2004 - $1,480,252).

10. Credit facilities

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2005.

11. Commitments

Pictou County Health Authority has entered into an agreement to lease computer equipment. Minimum annual lease payments are as follows:

2006	$	142,415
2007	$	89,840
2008	$	12,464

12. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2005 are available from the individual financial statements of the related entities.

13. Comparative figures

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

AUDITORS' REPORT

To the Board of Directors of
Provincial Drug Distribution Program

We have audited the statement of financial position of the Provincial Drug Distribution Program (the "PDDP") as at March 31, 2005 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP'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 PDDP as at March 31, 2005 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 27, 2005

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Financial Position
as at March 31, 2005

	Operating Fund	Capital Fund	Total 2005	Total 2004
			(in thousands)	
ASSETS				
Current				
Cash	$ 484	$ ---	$ 484	$ 3,394
Accounts receivable (note 3)	8,678	---	8,678	8,057
Due from Capital District Health Authority	609	---	609	---
Due (to) from other fund	(182)	182	---	---
Inventories	2,720	---	2,720	2,215
	12,309	182	12,491	13,666
Deferred charges (note 4)	---	---	---	10
Capital assets	---	93	93	129
	$ 12,309	$ 275	$ 12,584	$ 13,805
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 4,436	$ ---	$ 4,436	$ 5,008
Due to Capital District Health Authority	---	---	---	722
Deferred revenue	---	182	182	---
Customer rebates	354	---	354	506
	4,790	182	4,972	6,236
Due to Department of Finance (note 5)	7,341	---	7,341	7,341
	12,131	182	12,313	13,577
FUND BALANCE				
Operating fund	178	---	178	89
Net assets	---	93	93	139
	$ 12,309	$ 275	$ 12,584	$ 13,805

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Fund Balances
Year ended March 31, 2005

	2005	2004
	(in thousands)	
OPERATING FUND		
Balance, beginning of year	$ 89	$ 37
Net revenues over expenditures	271	52
Transfer from operating to capital fund	(182)	---
Balance, end of year	$ 178	$ 89
INVESTMENT IN CAPITAL ASSETS		
Capital funding, beginning of year	$ 139	$ 48
Amortization of capital fund	(46)	(23)
Capital funding for the year (Schedule C)	---	114
Balance, end of year	$ 93	$ 139

Statement of Revenues and Expenditures
Year ended March 31, 2005

	2005	2004
	(in thousands)	
Operating		
Revenues (Schedule A)	$ 63,592	$ 61,416
Expenditures (Schedule B)	63,321	61,364
Net revenues over expenditures	$ 271	$ 52

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Statement of Cash Flow
Year ended March 31, 2005

	2005	2004
	(in thousands)	
Operating Activities		
Net revenues over expenditures	$ 271	$ 52
Items not requiring cash		
Amortization	46	23
Amortization of capital fund.	(46)	(23)
Changes in non-cash working capital items	(2,999)	974
Cash (used in) provided by financing activities	(2,728)	1,026
Financing Activities		
Capital funding (Schedule C)	---	114
Transfer of equity to capital fund	(182)	---
Cash (used in) provided by financing activities	(182)	114
Investing Activities		
Capital assets acquired (Schedule C)	---	(114)
Cash used in investing activities	---	(114)
Net (decrease) increase during the year	(2,910)	1,026
Cash, beginning of year	3,394	2,368
Cash, end of year	$ 484	$ 3,394

See accompanying notes

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Notes to Financial Statements
March 31, 2005

1. Nature of Organization

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

2. Significant Accounting Policies

The PDDP follows the deferral method of accounting for contributions. These financial statements have been prepared in accordance with generally accepted accounting principles and include the following specific accounting policies.

Fund accounting
The Provincial Drug Distribution Program maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating actifities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of the PDDP related to the distribution of drugs.

The capital fund contains the capital assets, net of accumulated and related capital funding, net of accumulated amortization.

Revenue recognition
The Provincial Drug Distribution Program uses the deferral method of accounting for contributions and revenue recognition. Revenue is recognized in the period in which the related expenses are incurred.

Operating Costs
These financial statements do not include certain expenses which are absorbed by the Capital District Health Authority.

Capital Assets
Capital assets are valued at cost and are amortized on a straight-line basis over the useful life of each asset.

Deferred Charges
Deferred charges are valued at cost and are amortized on a straight-line basis over five years.

Inventory
Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

Financial instruments

The organization's primary financial instruments consist of receivables and payables. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and the credit terms of those instruments with the exception of certain debt instruments.

3. Accounts Receivable

	2005	2004
	(in thousands)	
Customer receivables	$ 8,439	$ 7,954
Out-dated drugs receivable	239	103
	$ 8,678	$ 8,057

4. Deferred Charges

The Department of Health entered into an agreement dated January 1, 2000 with a national buying group. As a result, the PDDP will be entitled to receive all negotiated vendor contract prices for pharmaceutical supplies. The PDDP paid a one-time non-refundable joining fee. This investment is recorded at cost and is amortized on a straight-line basis over five years.

5. Due to Department of Finance

As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year-end. Repayment terms for this liability are not specified.

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Schedule A

Schedule of Revenues
Year ended March 31, 2005

	2005	2004
	(in thousands)	
Drugs	$ 62,830	$ 60,920
Department of Health	329	329
Other	433	167
Amortization	46	23
	63,638	61,439
Less: Amortization	46	23
	$ 63,592	$ 61,416

Schedule B

Schedule of Expenditures
Year ended March 31, 2005

	2005	2004
	(in thousands)	
Drugs	$ 62,519	$ 60,610
Compensation	633	548
Fees	142	167
Plant maintenance supplies	9	14
Other	15	19
Amortization	46	23
Travel	3	6
	63,367	61,387
Less: Amortization	46	23
	$ 63,321	$ 61,364

Schedule C

Schedule of Expenditures
Year ended March 31, 2005

	2005	2004
	(in thousands)	
Capital Funding		
Capital Funding - Deferred Revenue	$ ---	$ 114
	$ ---	$ 114
Capital Expenditures		
Inventory TWL Project Costs	$ ---	$ 114
	$ ---	$ 114

AUDITOR'S REPORT

To the Shareholder of PSS Investments I Inc.

We have audited the balance sheet of PSS Investments I Inc. as at December 31, 2004 and the statements of income and deficit cash flows for the year then ended. These financial statements are the responsibility of the company'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 company as at December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Winnipeg, Canada
August 26, 2005

PSS INVESTMENTS I INC.

Balance Sheet
December 31, 2004, with comparative figures for 2003

	2004	2003
ASSETS		
Income-producing properties (note 4)	$ 19,778,471	$ 7,589,265
Intangible assets (note 5)	2,912,426	---
Deferred recoverable costs (note 6)	8,741	---
Prepaid expenses	88,222	---
Accounts and other receivables	104,192	283
Cash	382,813	210,894
	$ 23,274,865	$ 7,800,442
LIABILITIES and SHAREHOLDER'S EQUITY		
Mortgages payable (note 7)	$ 5,489,680	$ ---
Intangible liabilities (note 8)	138,837	---
Security deposits and prepaid rent	36,759	---
Accounts payable and accrued liabilities	300,690	24,784
Shareholder's equity:		
Share capital (note 9)	17,913,156	7,597,174
Retained earnings (deficit)	(604,257)	178,484
	17,308,899	7,775,658
Subsequent events (note 13)		
	$ 23,274,865	$ 7,800,442

See accompanying notes to financial statements

PSS INVESTMENTS I INC.

Statement of Income and Deficit
Year ended December 31, 2004, with comparative figures
for the period from incorporation on June 6, 2003 to December 31, 2003

	2004	2003
Property revenue	$ 1,994,047	$ 273,160
Property operating expenses	542,110	5,478
Gross income	1,451,937	267,682
Amortization	1,104,349	65,847
Mortgage interest	143,843	---
Net operating income	203,745	201,835
Investment income	4,360	124
	208,105	201,959
Administrative costs	15,629	5,000
Asset management fees (note 11)	81,694	15,948
Performance fees (note 11)	93,523	2,527
Net income	17,259	178,484
Retained earnings, beginning of period	178,484	---
Dividends paid	(800,000)	---
Retained earnings (deficit), end of period	$ (604,257)	$ 178,484

See accompanying notes to financial statements.

PSS INVESTMENTS I INC.

Statement of Cash Flows
Period from incorporation on June 6, 2003 to December 31, 2004

	2004	2003
Operating activities:		
Net income	$ 17,259	$ 178,484
Adjustments for:		
Amortization:		
Income-producing properties	344,224	65,847
Acquired in-place leases	760,462	---
Above and below market in-place leases, net	(9,481)	---
Mortgage premium	(28,746)	---
Straight-line rent	(41,971)	---
	1,041,747	244,331
Change in the following:		
Additions to deferred recoverable costs	(8,741)	---
Prepaid expenses	(88,222)	---
Accounts and other receivables	(61,938)	(283)
Security deposits and prepaid rent	36,759	---
Accounts payable and accrued liabilities	275,906	24,784
Cash flows from operating activities	1,195,511	268,832
Financing activities:		
Issuance of common shares	10,315,982	7,597,174
Dividends paid	(800,000)	---
Repayment of mortgages payable	(59,906)	---
Cash flows from financing activities	9,456,076	7,597,174
Investing activities:		
Additions to income-producing properties	(99,236)	---
Purchase of income-producing properties	(10,380,432)	(7,655,112)
Cash flows used in investing activities	(10,479,668)	(7,655,112)
Increase in cash	171,919	210,894
Cash, beginning of period	210,894	---
Cash, end of period	$ 382,813	$ 210,894
Supplementary cash flow information:		
Interest paid	$ 147,380	$ ---

The portion of the purchase price on the acquisition of income-producing properties satisfied by the assumption of mortgages payable in the amount of $5,578,332 has been excluded from the financing and investing activities on the statement of cash flows.

See accompanying notes to financial statements.

Notes to Financial Statements
Year ended December 31, 2004

1. Operations:

PSS Investments I Inc. (the company) was incorporated and registered June 6, 2003 under the Nova Scotia Companies Act by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Public Service Superannuation Fund.

The company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the Income Tax Act, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the Income Tax Act) that is real property or an interest in real property owned by the company, another corporation, described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the Income Tax Act, or a pension plan registered with the Minister of National Revenue pursuant to the Income Tax Act; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the Income Tax Act that is real property or an interest in real property owned by the partnership.

The company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 or a similar law of a province.

The company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

The company is under the management of GWL Realty Advisors Inc. (GWLRA), a wholly-owned subsidiary of The Great-West Life Assurance Comapny, by way of management agreements between GWLRA and the company.

2. Significant accounting policies:

(a) Income-producing properties:

Income-producing properties are carried at cost less accumulated amortization. If it is determined that the carrying amount of an income-producing property exceeds the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the property, it is reduced to its estimated fair value.

Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period. Building improvement costs are deferred and amortized on a straight-line basis over a rolling 10 year period.

The company capitalizes all direct costs relating to the acquisition of properties. For properties under development, initial acquisition costs, other direct costs, property taxes, initial leasing costs, incidental operating revenues and expenses and certain indirect costs and property taxes are capitalized until the property reaches its accounting completion date. Development properties reach accounting completion at the end of the month when the earliest of the following is achieved:

(i) break even in cash flow;

(ii) 75 percent occupancy by tenants who are paying rent; and

(iii` one year after substantial completion, or in the case of properties valued at more than $10 million, up to two years after completion.

(b) Acquisition of income-producing properties:

Effective for transactions commenced after September 12, 2003, the purchase price of income-producing properties is allocated based on estimated fair market values to land, building, tenant improvements and intangible assets including the value of above and below market leases, the in-place leases and tenant relationships, if any. The values of tenant improvements, above and below market leases, in-place leases and tenant relationships, if any, are amortized over the term of the lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written-off.

(c) Deferred recoverable costs:

Deferred recoverable costs consist of capital expenditures which are recoverable from tenants, are recorded at cost and amortized on a straight-line basis over a five to ten year period.

(d) Revenue recognition:

Property revenue includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease (note 3[a]). The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expense are recognized in revenue in the period in which applicable expenses are incurred.

(e) Co-ownership interest:

The company records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the company has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Change in accounting policies:

(a) Revenue recognition:

Effective January 1, 2004, the company adopted the straight-line method of rental revenue recognition whereby any contractual rent increases over the initial term of a lease are recognized in income evenly over that term. Previously, rental revenue was recorded in accordance with the terms of the underlying lease. This change in accounting policy has been applied prospectively and had the effect of increasing net income by $41,971 for the year ended December 31, 2004.

(b) Impairment of long-lived assets:

On January 1, 2004, the company prospectively adopted the CICA recommendations requiring long-lived assets to be reviewed for impairment whenever events or changes in circumstances indicates that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. This change in accounting policy had no impact on adoption or in the current year.

(c) Asset retirement obligations:

Effective January 1, 2004, the company adopted the CICA recommendations requiring the recognition of the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation, if any, is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. This change in accounting policy had no impact on adoption or in the current year.

4. Income-producing properties:

The carrying value of the income producing properties is comprised of:

	2004			2003
	Cost	**Accumulated amortization**	**Net book value**	**Net book value**
Land	$ 3,101,203	$ ---	$ 3,101,203	$ 1,333,828
Building and building improvements	16,620,387	362,260	16,258,127	6,255,437
Tenant improvements	466,952	47,811	419,141	---
	$ 20,188,542	$ 410,071	$ 19,778,471	$ 7,589,265

The income-producing properties balance represents three 45 percent co-ownerships entered into during 2004, as well as one 22.5 percent co-ownership entered into during 2003.

The net assets acquired were as follows:

	2004	**2003**
Land	$ 1,767,375	$ 1,333,828
Buildings	10,199,867	6,321,284
Tenant improvements	466,952	---
Acquired in-place leases	3,494,984	---
Above market in-place leases	205,038	---
Below market in-place leases	(175,452)	---
	15,958,764	7,655,112
Less:		
Mortgages assumed	(5,121,542)	---
Mortgages premium	(456,790)	---
	(5,578,332)	---
Net assets acquired, satisfied by cash consideration	$ 10,380,432	$ 7,655,112

5. Intangible assets:

	2004 Cost	2004 Accumulated amortization	2004 Net book value	2003 Net book value
Acquired in-place leases	$ 3,494,984	$ 760,462	$ 2,734,522	$ ---
Above market in-place leases	205,038	27,134	177,904	---
	$ 3,700,022	$ 787,596	$ 2,912,426	$ ---

6. Deferred recoverable costs:

	2004 Cost	2004 Accumulated amortization	2004 Net book value	2003 Net book value
Deferred recoverable costs	$ 14,569	$ 5,828	$ 8,741	$ ---

7. Mortgages payable:

Mortgages payable bear interest at rates up to 6.95 percent (weighted average 6.81 percent) and are due at various dates to 2014. The mortgages were all assumed during the year as part of the purchase agreements for two properties. The existing guarantees remained after assumption.

Mortgages on income-producing properties assumed on acquisitions are adjusted to fair value using the market interest rate at the time of acquisition. The resulting premium or discount is amortized to interest expense over the remaining life of the mortgage. For the acquisitions during fiscal 2004, a premium aggregating $456,790 was recorded on acquisition with the unamortized premium at December 31, 2004 aggregating $428,044.

Principal payments, excluding the unamortized premium of $428,044, are due as follows:

2005	$ 113,794
2006	121,692
2007	927,591
2008	105,862
2009	113,166
Thereafter	3,679,531
	$ 5,061,636

8. Intangible liabilities:

	2004 Cost	2004 Accumulated amortization	2004 Net book value	2003 Net book value
Below market in-place leases	$ 175,452	$ 36,615	$ 138,837	$ ---

9. **Share capital:**

The authorized capital of the company is 100,000 common shares without nominal or par value, with power to divide the shares in capital into several classes and/or to attach thereto respectively any preferential, common deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the Companies Act and amendments thereto. Shares may be issued only to registered Canadian pension funds or other investors permitted under Section 149(1)(o.2) of the Income Tax Act. The sale, transfer or disposition of shares is restricted.

	2004			2003		
Issued	**Number of Shares**		**Amount**	**Number of Shares**		**Amount**
Share capital, beginning of period	100	$	7,597,174	---	$	---
Cash contributed as capital during the period	200		10,315,982	100		7,597,174
Share capital, end of period	300	$	17,913,156	100	$	7,597,174

10. **Financial instruments:**

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The company manages its financial risks as follows:

(a) Interest rate risk:
Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

(b) Credit risk:
Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The company mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

(c) Fair value:
The company has the following financial instruments: accounts and other receivables, cash, mortgages payable and accounts payable and accrued liabilities. The carrying values of the accounts and other receivables, cash and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of the mortgages payable was $5,671,449 at December 31, 2004 compared to a carrying value of $5,489,680. Fair value has been calculated using the future cash flows of the mortgages payable, discounted at current market rates available to the company for the same or similar instruments.

11. Advisor and property managers:

The company has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the company. GWLRA has also engaged a third party to manage and operate all of the multi-residential properties. Fees are charged to the property on the balance sheet or to property operating expenses, asset management fees or performance fees in the statement of earnings as applicable.

The following fees were incurred for the above services:

	2004	2003
Annual management fees	$ 81,694	$ 15,948
Performance fees	93,523	2,527
Property management fees	45,905	5,457
Acquisition fees	75,656	37,406
Project fees	3,501	---
GWLRA fees	300,279	61,338
Property management fees - third party	18,126	---
	$ 318,405	$ 61,338

12. Income taxes:

The company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the Income Tax Act (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

13. Subsequent events:

Subsequent to year end, the company acquired a 45 percent ownership in three income-producing properties for an aggregate purchase price of approximately $47,000,000.

In addition, the company issued 300 shares for cash consideration of $20,839,500.

14. Other information:

On August 1, 2004, the company's share in an income-producing property, 7070 Mississauga Road, was appraised at $8,370,000. The company had acquired its share of this income-producing property during fiscal 2003 for a purchase price of $7,655,112.

During fiscal 2004, as disclosed in note 4, the company acquired a 45 percent interest in a further three income-producing properties. The aggregate purchase price for the company's interest in the income-producing properties was $15,958,764.

AUDITOR'S REPORT

To the Shareholder of
PSS Investments II Inc.

We have audited the balance sheet and the statement of real property investments of PSS Investments II Inc. as at December 31, 2004 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 Advisor. 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 the Advisor, 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 December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Chartered Accountants

August 25, 2005

PSS INVESTMENTS II INC.

Balance Sheet
December 31, 2004

		2004
ASSETS		
Real estate assets		
Real property (Note 3)	$	17,617,830
Deferred charges (Note 4)		1,751,036
		19,368,866
Cash	$	533,253
Accounts receivable		59,203
Prepaid expenses and other assets		161,138
	$	20,122,460
LIABILITIES		
Mortgages payable (Note 5)	$	6,378,541
Accounts payable and accrued liabilities		350,878
		6,729,419
SHAREHOLDER'S EQUITY		
Share capital (Note 7)		13,038,152
Retained earnings		354,889
		13,393,041
	$	20,122,460

PSS INVESTMENTS II INC.

Statement of Real Property Investments
December 31, 2004

		2004
45% co-ownership interest - Summit Center		
75th Street and Roper Road, Edmonton Alberta, purchased January, 2004		
Land	$	2,968,875
Building (net of accumulated depreciation of $219,048)		8,542,862
Deferred charges (net of accumulated amortization of $139,613)		910,641
	$	12,422,378
45% co-ownership interest - Princess Auto Building		
2850 Hopewell Place NE, Calgary, Alberta, purchased March, 2004		
Land	$	523,800
Building (net of accumulated depreciation of $20,288)		953,536
Deferred charges (net of accumulated amortization of $12,644)		212,425
	$	1,689,761
45% co-ownership interest - Mice Kadoke Building		
6225 Edwards Blvd, Missassauga, Ontario, Alberta, purchased August, 2004		
Land	$	1,419,863
Building (net of accumulated depreciation of $26,965)		3,208,894
Deferred charges (net of accumulated amortization of $13,955)		627,970
	$	5,256,727
SUMMARIZED AS FOLLOWS:		
Land	$	4,912,538
Building (net of accumulated depreciation of $266,301)		12,705,292
Deferred charges (net of accumulated amortization of $166,212)		1,751,036
	$	19,368,866

PSS INVESTMENTS II INC.

Statement of Operations and Retained Earnings
Year ended December 31, 2004

		2004
Income from investments		
Real property rental income	$	1,400,702
Property expenses		
Operating		224,985
Mortgage interest		290,432
Depreciation of real properties		266,301
Amortization of deferred costs		166,212
Real property net rental income		452,772
Interest income		2,818
		455,590
Expenses		
Advisor's fee (Note 6)		76,707
Audit and legal fees		14,609
Other		9,385
		100,701
Net income and retained earnings at end of year	$	354,889

PSS INVESTMENTS II INC.

Statement of Cash Flows
Year ended December 31, 2004

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

		2004
Operating		
Net income for the year	$	354,889
Non-cash items		
Deferred rent.		(55,901)
Depreciation of real properties		266,301
Amortization of deferred costs		166,212
Amortization of deferred financing costs		2,551
Deferred leasing costs		(359,199)
Net change in operating working capital		259,939
		634,792
Investing		
Acquisition of real property investments		(19,442,180)
Financing		
Capital contributions		13,038,152
Mortgage financing		12,757,500
Repayment of mortgage.		(6,345,000)
Mortgage principal repayments		(33,959)
Deferred financing costs.		(76,052)
		19,340,641
INCREASE IN CASH DURING THE YEAR AND CASH AT END OF YEAR	$	533,253
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash interest paid	$	235,502

1. FORMATION

PSS Investments II Inc. (the "Corporation") was incorporated under the laws of the Province of Nova Scotia on June 6, 2003 for the purpose of investing in real property, and is owned by pension funds which are registered pension plans in accordance with the Income Tax Act (Canada). The Corporation was inactive prior to 2004 and, accordingly, no comparative information for 2003 is presented.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant policies are as follows:

Investment in real property
Real properties are stated at cost less accumulated depreciation. Real properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of real properties is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of a real property exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real properties to be disposed of are reported at the lower of the carrying amount and fair value less costs to sell.

Acquisition costs are capitalized as part of the cost of real properties.

The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

The above-market and below-market in-place lease values for acquired properties are determined based on the present value of the difference between the contractual base rentals under the lease and fair market lease rates for similar in-place leases, measured from the date of acquisition to the end of the remaining lease term. The value of in-place leases is amortized over the remaining term of the associated leases.

Buildings are depreciated on a straight-line basis over forty years.

Deferred leasing costs
Leasing costs, including tenant inducements and leasing commissions incurred plus tenant inducements and lease origination costs acquired upon the purchase of real properties, are deferred and amortized on a straingt-line basis over the term of the related leases.

Co-ownerships
The Corporation records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the Corporation has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

Revenue recognition
Real property rental income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expenses are recognized in revenue in the period in which applicable expenses are incurred.

Deferred financing costs
Financing costs incurred, including financing fees to the Advisor, are deferred and amortized over the term of the related debt. The unamortized balance is included in prepaid expense and other assets.

Income taxes
The Corporation conducts its affairs in order to qualify as a tax-exempt corporation under Section 149(1)(0.2) of the Income Tax Act (Canada).

Advisor's fees
The Corporation has entered into an advisory agreement with Roycom Inc. (the "Advisor"), whereby the Advisor is to provide investment advice and administrative services. The Advisor receives fees of 0.5% of real property cost on acquisitions, 0.5% of the real property sale proceeds on disposition, a financing fee of 0.25% of the principal amount of any mortgage financing, refinancing or renewal and a monthly asset management fee of 4.5% of net operating income provided that the minimum asset management fee shall not be less than 0.5% of the weighted monthly average of the appraised value of all the properties in any calendar year.

The Advisor also shall receive an annual performance fee equal to 10% of the amount by which the total net return exceeds the preformance objective for the core portfolio multiplied by the appraised value of the core portfolio and 20% of the amount by which the total net return exceeds a rate of return that is 3% greater than the performance objective of the value-added portfolio multiplied by the appraised value of the value-added portfolio.

Management estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas of estimation include the amortization periods for real property and the allocation of purchase costs on the acquisition of real properties. Actual results could differ from those estimates.

3. REAL PROPERTIES

Land	$	4,912,538
Building		12,971,593
Accumulated depreciation		(266,301)
	$	17,617,830

4. DEFERRED CHARGES

Deferred leasing costs	$	359,199
Deferred leasing costs on acquisition of real properties		1,558,049
Accumulated amortization		(166,212)
	$	1,751,036

5. MORTGAGES PAYABLE

45%, co-ownership interest -
Summit Centre, Edmonton, Alberta

First mortgages repayable in blended monthly payments of principal and interest of $35,235, at a rate of 5.907% due July 1, 2014 to OMERS.	$	4,511,041
45%, co-ownership interest - Mice Kadoke Building, Mississauga, Ontario		
First mortgage, repayable in blended monthly payments of principal and interest of $13,722, at a rate of 5.341% due January 1, 2015 to OMERS.		1,867,500
	$	6,378,541

Principal payments required in each of the next five fiscal years are as follows:

2005	$	118,732
2006		128,821
2007		136,318
2008		144,251
2009		152,647
	$	680,769

6. TRANSACTIONS WITH ADVISOR

Advisory fees were paid pursuant to the advisory agreement in the amount of $96,180 for acquisitions fees, $76,707 for asset management fees and $16,031 for financing fees. No amount was payable in 2004 in connection with performance fees.

7. SHARE CAPITAL

Authorized:
An unlimited number of common shares

Issued:

15,935,520 common shares	$	13,038,152

8. FINANCIAL INSTRUMENTS

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The Corporation manages its financial risks as follows:

Interest rate risk
Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

Credit risk
Credit rate arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The Corporation mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

Fair value
Fair values of financial instruments approximate amounts as which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instrument.

When available, public market information is used to express the fair value. When such information is not readily available, fair value is estimated using present value techniques and assumptions concerning the amount and timing of expected future cash flows and discount rates which reflect the appropriate level of risk for the instrument.

Accounts receivable, prepaid expenses and other assets, and accounts payable and accrued liabilities have fair values that approximates their carrying amounts due to their short-term nature.

Fair value of mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2004 market rates for debt of similar corresponding terms and risk. Based on these assumptions, the fair value of mortgages payable at December 31, 2004 has been estimated as $6,470,000. This is higher than their recorded amount due to decreases in interest rates since these mortgages were entered into.

9. APPRAISED VALUE

On January 5, 2005, the Corporation's 45% interest in Summit Centre was appraised at $13,455,000.

Review Engagement Report

To the Board of Trustees of
The Public Archives of Nova Scotia - Archival Ancillary and Trust Funds

We have reviewed the balance sheet of The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds (Archives) as at March 31, 2005 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PRICE,WATERHOUSE,COOPERS LLP
Chartered Accountants

June 17, 2005

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Balance Sheet
As at March 31, 2005

	Endowment Fund, Collections	Archival Ancillary Fund	2005 Total	2004 Total
ASSETS				
Current assets				
Cash	$ ---	$ 75,812	$ 75,812	$ 34,189
Marketable securities	36,794	---	36,794	46,330
Amount held in trust by Province of Nova Scotia	53,935	---	53,935	52,805
	90,729	75,812	166,541	133,324
Equipment (note 3)	---	34,026	34,026	44,057
	$ 90,729	$ 109,838	$ 200,567	$ 177,381
LIABILITIES				
Current liabilities				
Amounts payable and accrued liabilities	$ ---	$ 21,755	$ 21,755	$ 12,485
Deferred revenue	---	37,074	37,074	53,169
	---	58,829	58,829	65,654
Net assets				
Endowments	66,100	---	66,100	66,100
Earnings on endowments	24,629	---	24,629	23,090
Invested in equipment	---	34,026	34,026	44,057
Unrestricted	---	16,983	16,983	(21,520)
	90,729	51,009	141,738	111,727
	$ 90,729	$ 109,838	$ 200,567	$ 177,381

Statement of Changes in Net Assets
For the year ended March 31, 2005

	Endowment Fund, Collections	Archival Ancillary Fund	2005 Total	2004 Total
Net assets - Beginning of year	$ 89,190	$ 22,537	$ 111,727	$ 159,117
Excess of revenue over expenditures (expenditures over revenue) for the year	1,539	28,472	30,011	(47,390)
Net assets - End of year	$ 90,729	$ 51,009	$ 141,738	$ 111,727

PUBLIC ARCHIVES OF NOVA SCOTIA - ARCHIVAL ANCILLARY AND TRUST FUNDS

Statement of Revenue and Expenditures
For the year ended March 31, 2005

	Endowment Fund, Collections	Archival Ancillary Fund	2005 Total	2004 Total
Revenue				
Reprographic and other recoveries.	$ ---	$ 45,094	$ 45,094	$ 42,132
Funding for special collections maintenance.	---	91,997	91,997	38,560
Interest	1,539	155	1,694	2,554
	1,539	137,246	138,785	83,246
Expenditures				
Amortization	---	13,137	13,137	12,090
Conferences and seminars.	---	943	943	821
Equipment repairs and maintenance	---	80	80	---
Freight and express.	---	---	---	102
General operating.	---	3,416	3,416	5,763
Membership dues	---	650	650	200
Miscellaneous	---	230	230	420
Other services	---	910	910	4,581
Professional services	---	2,231	2,231	---
Special collections maintenance	---	83,345	83,345	38,560
Subscriptions and periodicals	---	821	821	586
Transfer to N.S. Archives and Records Management	---	---	---	65,000
Travel	---	3,011	3,011	2,513
	---	108,774	108,774	130,636
Excess of revenue over expenditures (expenditures over revenue) for the year.	$ 1,539	$ 28,472	$ 30,011	$ (47,390)

PUBLIC ARCHIVES OF NOVA SCOTIA -
ARCHIVAL ANCILLARY AND TRUST FUNDS

Notes to Financial Statements
For the year ended March 31, 2005

1. Status and nature of activities

The Archives, a provincially-owned entity, is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province. The Archives is both a deposit library for publications of the Government of Nova Scotia and a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

2. Significant accounting policies

The accounting policies of the Archives for the Archival Ancillary and Trust funds are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Management estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

Fund accounting
The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Fund, Collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

Financial instruments
Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximates their carrying values, due to the short-term nature of these instruments.

Revenue recognition
The Archives follows the restricted fund method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

Equipment
Purchased equipment is recorded at cost. When an asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the following methods at the following rates:

Computer software	straight-line 10 years
Microfilm and computer equipment	straight-line 5 years
Furniture and other office equipment	straight-line 10 years

3. Equipment

	2005			2004
	Cost	Accumulated amortization	Net	Net
Computer software	$ 19,502	$ 9,742	$ 9,760	$ 11,710
Computer equipment	28,197	17,021	11,176	16,815
Microfilm equipment	31,102	24,871	6,231	7,621
Furniture	7,721	2,736	4,985	5,757
Other office equipment	2,795	921	1,874	2,154
	$ 89,317	$ 55,291	$ 34,026	$ 44,057

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Justice

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2005 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2005 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 18, 2005

PUBLIC TRUSTEE TRUST FUNDS

Balance Sheet
as at March 31, 2005

ASSETS

	2005	2004
Estates and Trusts		
Cash	$ 559,520	$ 1,925,772
Securities, real estate and other assets (Note 3)	23,442,947	20,909,227
Common Fund securities	2,074,695	2,013,203
Accrued interest	220,941	---
	26,298,103	24,848,202
Special Reserve Fund (Note 5)		
Cash and securities	1,626,391	1,521,578
Accrued interest	36,474	---
	1,662,865	1,521,578
	$ 27,960,968	$ 26,369,780

LIABILITIES

	2005	2004
Estates and Trusts		
Estates and trusts balances	$ 26,298,103	$ 24,848,202
Special Reserve Fund (Note 5)		
Restricted funds	1,598,730	1,459,315
Funds transferable to Province of Nova Scotia	64,135	62,263
	1,662,865	1,521,578
	$ 27,960,968	$ 26,369,780

The accompanying notes are an integral part of these statements

PUBLIC TRUSTEE TRUST FUNDS

Statement of Continuity of Assets
For The Year Ended March 31, 2005

	Estates and Trusts	Special Reserve Fund	Fees Earned	2005 Total	2004 Total
Balance, beginning of year . . . . $	24,848,202 $	1,521,578 $	--- $	26,369,780 $	24,283,546
Add:					
Assets acquired during the year	15,645,530	---	---	15,645,530	13,761,537
Income earned	783,987	---	---	783,987	600,007
Fees earned	---	---	614,564	614,564	547,675
Interest earned on Special Reserve Fund investments	---	100,609	---	100,609	62,263
Excess interest transferred from Common Fund	---	102,941	---	102,941	96,079
	16,429,517	203,550	614,564	17,247,631	15,067,561
Less:					
Distributions of estates and trusts	14,329,052	---	---	14,329,052	12,159,993
Transfers to the Province					
Fees	---	---	614,564	614,564	547,675
Undistributable estates and trusts (per Section 28)	650,564	---	---	650,564	207,303
Investment income earned on Special Reserve Fund	---	62,263	---	62,263	66,356
	14,979,616	62,263	614,564	15,656,443	12,981,327
Balance, end of year . . . . . $	26,298,103 $	1,662,865 $	--- $	27,960,968 $	26,369,780

The accompanying notes are an integral part of these statements

PUBLIC TRUSTEE TRUST FUNDS

Notes to Financial Statements
March 31, 2005

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, modified by the following policies.

a) The Office of the Public Trustee uses a cash basis of accounting. These financial statements do not include certain receivables and payables.

b) Accrued interest has been recorded on investments for the year ending March 31, 2005. Comparative information for the year ended March 31, 2004 was not available.

3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities are valued in a manner which approximates market value at March 31, 2005.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of $1.

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at market value as of March 31, 2005.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by the Nova Scotia Department of Justice and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

	2005	2004
Department of Justice		
- Salaries and benefits	$ 657,578	$ 734,390
- Other operating costs	51,086	55,409
- Rent	58,910	49,449
	767,574	839,248
Less transfers to Province		
- Fees	614,564	547,675
- Special Reserve Fund income	62,263	66,356
	676,827	614,031
Net cost to the Province	$ 90,747	$ 225,217

AUDITORS' REPORT

To the Board of Directors of the
Resource Recovery Fund Board Inc.

We have audited the combined statement of financial position of the Resource Recovery Fund Board Inc. and the Resource Recovery Fund as at March 31, 2005 and the combined statements of operations, changes in net resources and cash flows for the year then ended. These combined financial statements are the responsibility of the the organization's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 combined financial statements present fairly, in all material respects, the combined financial position of the Resource Recovery Fund Board Inc. and Resource Recovery Fund as at March 31, 2005 and the combined results of its operations, changes in net resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORTON LLP
Chartered Accountants

Truro, Nova Scotia
May 20, 2005

RESOURCE RECOVERY FUND BOARD INC.
RESOURCE RECOVERY FUND

Combined Statement of Operations
Year ended March 31, 2005

	Budget 2005	2005	Restated 2004
Revenues			
Deposits	$ 31,237,100	$ 30,886,475	$ 29,826,716
Sales of recyclable materials	3,604,800	3,755,167	3,077,980
Stewardship	1,008,500	1,046,275	961,164
Tire program	2,960,100	3,215,205	3,055,263
Rental income	184,800	184,800	---
Investment and other income	477,800	310,502	359,380
Total revenues	39,473,100	39,398,424	37,280,503
Expenses			
Operating (Page 517)	27,706,400	26,745,513	25,994,518
Administrative (Page 518)	1,695,100	1,572,324	1,441,003
Other expenditures and allocations			
Approved program grants	1,520,000	1,065,945	1,389,450
Education and awareness	1,750,000	1,435,595	1,380,051
Regional coordinators	250,000	250,000	244,500
Derelict vehicle program	100,000	55,776	69,527
Household hazardous waste program	70,000	70,000	38,711
Municipal Solid Waste Diversion	5,050,000	5,592,000	5,342,160
Province of Nova Scotia	1,010,000	1,118,000	996,500
Research, development and special projects	350,000	---	---
Special municipal allocations	---	---	700,000
	39,501,500	37,905,153	37,596,420
Net revenue (expenditure) before equity earnings	(28,400)	1,493,271	(315,917)
Equity in net profit of a business enterprise	---	44,056	37,278
Excess of revenues over expenditures (expenditures over revenues)	$ (28,400)	$ 1,537,327	$ (278,639)

See accompanying notes to the combined financial statements

RESOURCE RECOVERY FUND BOARD INC.
RESOURCE RECOVERY FUND

Combined Statement of Changes in Net Resources
Year Ended March 31, 2005

	urce Recovery Fund						
	Invested in Capital Assets	Invested in Value-added Manufacturing	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	2005 Total	Restated 2004 Total
Balance, beginning of year as previously reported	$ 854,663	$ 241,123	$ 3,195,344	$ 2,252,999	$ ---	$ 6,544,129	$ 5,956,275
Adjustment of prior years (Note 3)	---	---	---	2,100,632	---	2,100,632	2,967,125
As restated	854,663	241,123	3,195,344	4,353,631	---	8,644,761	8,923,400
Excess (deficiency) of revenue over expenses	(308,755)	44,056	---	---	1,802,026	1,537,327	(278,639)
Investment in capital assets	1,404,478	---	(1,200,000)	---	(204,478)	---	---
	1,950,386	285,179	1,995,344	4,353,631	1,597,548	10,182,088	8,644,761
Internal transfers from (to)	---	---	---	5,814,610	(5,814,610)	---	---
Education and awareness	---	---	---	(1,435,595)	1,435,595	---	---
Regional co-ordinators	---	---	---	(250,000)	250,000	---	---
Approved programs	---	---	---	(1,065,945)	1,065,945	---	---
Release of approved programs for diversion	---	---	---	(221,746)	221,746	---	---
Nova Scotia Department of Environment & Labour	---	---	---	(1,118,000)	1,118,000	---	---
Derelict vehicle program	---	---	---	(55,776)	55,776	---	---
Household hazardous waste program	---	---	---	(70,000)	70,000	---	---
Balance, end of year	$ 1,950,386	$ 285,179	$ 1,995,344	$ 5,951,179	$ ---	$ 10,182,088	$ 8,644,761

Restricted for approved programs represented by:	
Committed funds (Note 8 (b))	$ 1,714,172
Uncommitted funds	4,237,007
	$ 5,951,179

See accompanying notes to the combined financial statements

RESOURCE RECOVERY FUND BOARD INC.
RESOURCE RECOVERY FUND

Combined Statement of Financial Position
March 31, 2005

	2005	Restated 2004
Financial assets		
Cash and cash equivalents	$ 14,535,054	$ 15,295,688
Receivables	3,042,079	2,924,762
Accrued receivable	233,278	56,444
Note receivable from a business enterprise (Note 4)	185,145	185,145
Investment in a business enterprise (Note 5)	285,179	241,123
	18,280,735	18,703,162
Financial liabilities		
Payables and accruals	940,579	1,424,993
Municipal solid waste diversion credits payable	5,592,000	6,042,160
Unearned revenue	3,848,500	3,780,600
	10,381,079	11,247,753
Net financial resources	7,899,656	7,455,409
Non-financial assets		
Inventory	141,308	84,118
Prepaids	190,738	250,571
Property and equipment (Note 6)	1,890,156	767,937
Organizational costs, net of accumulated amortization	60,230	86,726
	2,282,432	1,189,352
Net resources (Note 10 and Page 509)	$ 10,182,088	$ 8,644,761

Commitments (Note 8)

See accompanying notes to the combined financial statements

RESOURCE RECOVERY FUND BOARD INC.
RESOURCE RECOVERY FUND

Combined Statement of Cash Flows
Year Ended March 31, 2005

	2005	Restated 2004
Increase (decrease) in cash and cash equivalents:		
Operating		
Excess of revenues over expenditures (expenditures over revenues)	$ 1,537,327	$ (278,639)
Equity in net profit of a business enterprise	(44,056)	(37,278)
Depreciation and amortization	324,847	302,889
(Gain) loss on sale of equipment	(16,091)	4,129
	1,802,027	(8,899)
Change in non-cash operating working capital		
Receivables	(294,151)	295,595
Inventory	(57,190)	(4,767)
Prepaids	59,833	(117,094)
Payables and accruals	(934,574)	659,784
Unearned revenue	67,900	374,300
	643,845	1,198,919
Investing		
Proceeds from sale of equipment	31,606	17,134
Purchase of		
Equipment	(264,143)	(204,558)
Property	(1,171,942)	---
Issuance of note receivable to an affiliated company	---	(35,145)
	(1,404,479)	(222,569)
Net (decrease) increase in cash and cash equivalents	(760,634)	976,350
Cash and cash equivalents,beginning of year	15,295,688	14,319,338
Cash and cash equivalents, end of year	$ 14,535,054	$ 15,295,688

See accompanying notes to the combined financial statements

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to develop and administer industry stewardship programs that increase waste diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

Under regulation, all revenues earned are deposited to the Resource Recovery Fund, which is the property of the Province of Nova Scotia. All expenditures incurred by the Resource Recovery Fund Board Inc. to operate, administer and fulfil the mandates of the Province of Nova Scotia Solid Waste Management Strategy are expenditures of the Resource Recovery Fund. Accordingly all assets, liabilities and net resources reported in these financial statements are the property of the Resource Cecovery Fund and are held on behalf of the Province of Nova Scotia by the Resource Recovery Fund Board Inc.

2. Summary of significant accounting policies

Basis of presentation

The combined financial statements include the accounts of the Resource Recovery Fund Board Inc. and the Resource Recovery Fund. Significant inter-entity loans and transactions have been eliminated in these combined financial statements. These combined financial statements are the representations of management prepared in accordance with generally accepted accounting principles for provincial governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the organization's management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those reported.

Revenue recognition

Resource Recovery Fund follows the deferral method of accounting for revenue.

Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Building	5%, straight-line
Field equipment	20%, straight-line
Office and warehouse equipment	20%, straight-line
Computer hardware and software	33 1/3%, straight-line
Containers	
- Bags	33 1/3%, straight-line
- Tubs	10%, straight-line
Vehicles	33 1/3%, straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

Investment in a business enterprise

The fund accounts for an investment in a business enterprise using the modified equity method.

Unearned revenue
Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs
Organizational costs for new programs are amortized on a straight line basis over five years.

Forgivable loans
Forgivable loans for approved programs are shown as an expenditure when issued. If the terms and conditions of these loans are not met then any recovery would be recognized at that time. At March 31, 2005 the outstnding balance of forgivable loans is $197,157.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

Financial instruments
Financial instruments include cash and cash equivalents, receivables, investment in a business enterprise, note receivable from a business enterprise, payables and accruals and municipal solid waste diversion credits payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments are at least their carrying values.

Income taxes
The organization is exempt from income taxes under Section 149(I)(d) of the Canadian Income Tax Act.

3. Restatement of prior years

a) During the year, the organization adopted the provincial government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The change was adopted retroactively and as a result, changes were made to amounts previously recorded. As a result, excess of revenues over expenses for 2004 decreased by $10,160,899 and inter-entity transfers decreased by $10,160,899. Accordingly, the balance of net resources at March 31, 2004 remained the same.

b) The fund previously recorded specific approved programs as liabilities at the time of approval. In accordance with Public Sector Accounting Principles, the fund currently recognizes approved program expenditures when funding becomes payable under the terms of the funding contract. Retroactive applications of this change in policy has resulted in a restatement of prior periods. As a result, the March 31, 2004 figures, presented for comparative purposes, have been restated from those previously reported to reflect a decrease in accounts payable of $2,100,632; an increase in net resources beginning of year of $2,967,125; and an increase in approved program expense of $866,493.

4. Note receivable from a business enterprise

		2005		2004
Note receivable from Novapet Inc., due March 31, 2005, bearing interest at the prime commercial lending rate.	$	163,865	$	163,865
Non-interest bearing note receivable from Novapet Inc., due March 31, 2005		21,280		21,280
	$	185,145	$	185,145

Based on the terms of these agreements, the notes receivable were due March 31, 2005. However, at March 31, 2005, no amounts have been received.

5. Investment in a business enterprise

Resource Recovery Fund has a 60.8% ownership in Novapet Inc., a company that processes polyethylene terephthalate (PET) plastic beverage bottles into a flake for resale.

Novapoet Inc. is accounted for in these combined financial statements using the modified equity method. Financial summaries of Novapet Inc. as at March 31, 2005 are as follows:

Financial Position

Total assets	$	1,430,975
Total liabilitites	$	891,776
Shareholders' equity		539,199
	$	1,430,975

Results of Operations

Total revenues	$	4,564,715
Total costs of goods sold and expenses		4,492,254
Net profit	$	72,461

Cash Flows

Cash from operations	$	164,729
Cash used in financing activities		(103,965)
Cash used in investing activities		(154,838)
Decrease in cash and cash equivalents	$	(94,074)

6. Property and equipment

	Cost	Accumulated Depreciation	2005 Net Book Value	2004 Net Book Value
Land	$ 282,000	$ ---	$ 282,000	$ ---
Field Equipment	238,636	170,599	68,037	91,516
Building	889,942	40,620	849,322	---
Office and warehouse equipment	98,589	88,592	9,997	13,044
Containers	1,277,237	694,455	582,782	542,047
Leasehold improvements	12,407	9,508	2,899	4,675
Computer hardware and software	488,549	449,097	39,452	40,560
Vehicles	140,403	84,736	55,667	76,095
	$ 3,427,763	$ 1,537,607	$ 1,890,156	$ 767,937

7. Banking facilities

The fund has an operating line of credit of $2,500,000, all of which is unused at March 31, 2005.

8. Commitments

a) The fund has entered into agreements to lease office space and a warehouse. Minimum rent payable for the next two years on these leases are as follows:

2006	$ 96,164
2007	$ 10,067

a) The Resource Recovery Fund has entered into agreements with specific organizations and businesses to provide funding for various recycling programs across Nova Scotia. At March 31, 2005, $1,714,172 of the restricted for approved programs resources has been committed under these agreements.

9. Related party transactions

During the year, the fund had the following transactions with a business enterprise:

(a) Sold polyethylene terephthalate (PET) plastic beverage bottles and other recyclable product in the amount of $795,682 (2004 - $681,457) to a business enterprise. Included in trade accounts receivable is $135,447 (2004 - $79,395) owing from a business enterprise relating to these sales.

(b) During the year, the fund has recorded interest revenue of $6,570 (2004- $11,958) from a a business enterprise.

(c) During the year, the fund received rental income of $184,800 from a business enterprise.

(d) Included in payables is $2,269 (2004 - $44,213) owing to a business enterprise.

(e) Included in deferred revenue is $16,800 in rent received from a business enterprise.

(f) Incurred processing fees of $29,480 (2004 - $29,200) to a business enterprise.

10. Restrictions on net resources

Net resources under the Resource Recovery Fund have been internally restricted for the following purposes:

(a) Invested in value added manufacturing - represents the amount internally restricted for the investment in a value-added manufacturing company, Novapet Inc.

(b) Restricted for future projects - represents the amount internally restricted for funding various future projects as approved by the board and in accordance with the goals and objectives of the Resource Recovery Fund.

(c) Restricted for approved programs - represents the amount internally restricted for various recycling programs and initiatives in accordance with the goals and objectives of the Resource Recovery Fund. Of the amount internally restricted, $1,714,172 has been committed by the board to assist in the funding of various recycling programs across Nova Scotia.

RESOURCE RECOVERY FUND BOARD INC.
RESOURCE RECOVERY FUND

Combined Statement of Operating Costs
Year Ended March 31, 2005

	Budget 2005	2005	2004
Inventory, beginning of year	$ 91,500	$ 84,118	$ 79,351
Deposit refunds	13,397,500	12,805,916	12,554,554
Enviro-Depot handling fees	8,374,000	8,037,753	7,457,207
Local cartage	925,900	996,593	935,980
Regional processing	886,200	910,936	894,995
Freight-in	165,600	150,403	149,605
Central processing expenses			
Building expenses	44,700	37,241	39,947
Depreciation	231,800	197,392	187,921
Insurance	2,200	1,584	1,774
Meetings and travel	29,500	18,011	24,158
Postage, delivery and office	9,800	22,228	13,059
Propane - forklift	3,200	2,521	2,683
Repairs and maintenance - bulk bags	33,100	28,418	58,021
Repairs and maintenance - equipment	17,700	7,832	2,787
Salaries and benefits	266,700	265,232	262,368
Shipping supplies	15,000	49,566	40,397
Telecommunications	11,000	11,499	9,642
Vehicle expense	3,000	4,605	5,012
Non-deposit materials	12,700	40,436	33,911
Used tires	2,388,600	2,214,074	2,472,541
Paint program	888,200	1,000,463	852,723
	27,797,900	26,886,821	26,078,636
Inventory, end of year	91,500	141,308	84,118
	$ 27,706,400	$ 26,745,513	$ 25,994,518

RESOURCE RECOVERY FUND BOARD INC.
RESOURCE RECOVERY FUND

Combined Statement of Administrative Expenses
Year Ended March 31, 2005

	Budget 2005	2005	2004
Bad debt	$ ---	$ 27,689	$ 17,144
Bank charges and interest	6,200	8,354	5,931
Board fees and expenses	72,800	70,470	75,587
Building expenses	119,300	120,828	68,678
Depreciation and amortization	129,400	127,455	110,811
Dues and fees	12,800	8,900	10,056
Equipment lease or rent	3,200	5,059	4,919
Insurance	8,500	7,808	7,855
Meetings and travel	96,800	73,673	63,613
Office expense	19,300	20,104	21,427
Postage and delivery	15,800	11,236	12,673
Printing and stationery	6,800	4,131	6,629
Professional fees	98,900	162,475	81,035
Public relations	186,000	61,987	109,922
Salaries and benefits	792,900	761,289	746,610
Software development and support	61,500	60,879	49,679
Telecommunications	37,500	28,466	36,037
Training	23,000	7,303	6,390
Vehicle expense	4,400	4,218	6,007
	$ 1,695,100	$ 1,572,324	$ 1,441,003

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 2005 and the statements of operations, fund balances, and cash flows for the year then ended. These financial statements have been prepared to comply with accounting principles adopted for museum boards in the province of Nova Scotia. These financial statements are the responsibility of the Commission'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 Commission as at March 31, 2005, and the results of its operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the members of the Sherbrooke Restoration Commission and the Province of Nova Scotia to comply with accounting principles adopted for museum boards in Nova Scotia. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

DELOITTE & TOUCHE LLP
Chartered Accountants

May 20, 2005

SHERBROOKE RESTORATION COMMISSION

Balance Sheet
March 31, 2005

	2005	2004
ASSETS		
Current		
Cash and cash equivalents	$ 32,566	$ 47,183
Guaranteed Investment Certificate - restricted (Note 3)	34,763	24,223
Accounts receivable	42,448	49,114
Inventory	117,063	123,710
Prepaid expenses	2,235	4,476
	229,075	248,706
Capital assets (Note 2).	4,399,425	4,397,516
	$ 4,628,500	$ 4,646,222
LIABILITIES AND EQUITY		
Current		
Accounts payable	$ 100,439	$ 124,111
Equity		
Investment in capital assets (Note 2)	4,399,425	4,397,516
Reserve for development (Note 3).	34,763	24,223
Operating fund surplus	93,873	100,372
	4,528,061	4,522,111
	$ 4,628,500	$ 4,646,222

Statement of Operations
Year ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Revenue			
Operating grants			
Board of Governors of the			
Nova Scotia Museum	$ 919,615	$ 919,610	$ 919,610
Program revenue (Schedule 2)	334,000	365,982	344,295
Other			
Gate admissions	119,000	122,478	113,449
Government capital grants	49,500	56,670	23,370
Interest	5,000	3,362	5,727
Miscellaneous	7,300	5,965	4,912
	180,800	188,475	147,458
Total revenue	1,434,415	1,474,067	1,411,363
Expenditures			
General operating (Schedule 1)	586,740	575,324	612,674
Program (Schedule 2)	798,175	848,114	797,346
Capital	49,500	47,128	42,670
Total expenditures	1,434,415	1,470,566	1,452,690
Excess of expenditures over revenue (expenditures over revenue)	$ ---	$ 3,501	$ (41,327)

SHERBROOKE RESTORATION COMMISSION

Statement of Fund Balances
Year ended March 31, 2005

	2005	2004
INVESTMENT IN CAPITAL ASSETS		
Balance, beginning of year	$ 4,397,516	$ 4,396,320
Additions		
Furnishings and equipment	1,909	1,196
Balance, end of year	$ 4,399,425	$ 4,397,516
RESERVE FOR DEVELOPMENT		
Balance, beginning of year	$ 24,223	$ 63,196
Transfer (to) from operating fund surplus.	10,000	(38,973)
Interest on GIC.	540	---
Balance, end of year	$ 34,763	$ 24,223
OPERATING FUND SURPLUS		
Balance, beginning of year.	$ 100,372	$ 102,726
Excess of revenue over expenditures (expenditures over revenue)	3,501	(41,327)
	103,873	61,399
Transfer (to) from reserve for development	(10,000)	38,973
Balance, end of year	$ 93,873	$ 100,372

SHERBROOKE RESTORATION COMMISSION

Statement of Cash Flows
Year ended March 31, 2005

	2005	2004
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenditures (expenditures over revenues)	$ 3,501	$ (41,327)
Non-cash items:		
Increase in reserve for development	540	---
Capital expenditures charged to operations	1,909	1,196
Changes in non-cash operating working capital (Note 5)	(8,118)	(7,451)
	(2,168)	(47,582)
Investing		
Additions to capital assets	(1,909)	(1,196)
Investment in guaranteed investment certificate	(10,540)	---
Net proceeds from guaranteed investment certificate	---	38,973
	(12,449)	37,777
Net cash outflow	(14,617)	(9,805)
Cash and cash equivalents, beginning of year	47,183	56,988
Cash and cash equivalents, end of year	$ 32,566	$ 47,183
Represented by:		
Cash	$ 32,566	$ 47,183

Notes to the Financial Statements
March 31, 2005

1. DESCRIPTION OF OPERATIONS

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because amortization is not recorded on capital assets and capital expenditures are included in the statement of operations.

Fund accounting
The assets and liabilities of the Commission are segregated into three funds: Investment in capital assets, reserve for development and operating fund surplus. The operating fund assets and liabilities are those which are used for the general operations of the Commission. The investment in capital assets comprises assets of enduring benefit and any related debt.

Capital assets
Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

Inventory
Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and net realizable value.

Cash and cash equivalents
Cash and cash equivalents represent cash and investments on deposit with financial institutions.

Financial instruments
The carrying values of the Commission's financial instruments approximate fair value due to the short-term maturity and normal credit terms of those instruments.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates used in these financial statements include the assessment of the allowance for doubtful accounts and the valuation of inventory. Actual results could differ from those estimates.

3. GUARANTEED INVESTMENT CERTIFICATE

During the year, the Sherbrooke Restoration Commission had net additions/(redemptions) of $10,540 (2004 - $38,973) in the Sherbrooke Village Development Fund. This brings the total of internally restricted cash to $34,763. This fund will be for capital items that will fulfil the long-term objectives of the Commission, such as enhancements.

4. PENSION PLAN

The Commission has a defined benefit pension plan which covers all permanent employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The most recent actuarial valuation covered the financial position of the plan as at December 31, 2004.

Information about the Commission's pension plan is as follows:

	2005	2004
Fair value of plan assets	$ 1,008,255	$ 879,190
Accrued benefit obligation	1,103,841	963,239
Funded status - plan deficit	$ (95,586)	$ (84,049)
Accrued benefit liability	$ 19,904	$ 35,236

The significant actuarial assumptions adopted in valuing the plan are:

Discount rate	6.25%
Rate of compensation increase	3.5%
Expected return on plan assets	7.0%

Other relevant disclosures include:

	2005	2004
Plan contributions	$ 50,350	$ 31,524
Benefits paid	$ ---	$ 7,707

Pension expense for the year ended March 31, 2005 is $35,018 (2004 - $60,363). Included in accounts payable on the balance sheet is an accrued benefit liability of $19,904 (2004 - $35,236).

5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	2005	2004
Accounts receivable	$ 6,666	$ (4,143)
Inventory	6,647	(1,565)
Prepaid expenses	2,241	(2,561)
Accounts payable	(23,672)	818
	$ (8,118)	$ (7,451)

Schedule 1

General Operating Expenditures
Year ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Advertising and brochures	$ 24,000	$ 20,712	$ 37,080
Bad debts	---	201	---
Freight	1,500	748	504
Heat, light and power	72,000	68,242	57,066
Insurance and taxes	5,800	6,777	3,437
Interest and bank charges	2,600	1,746	3,040
Maintenance supplies	18,000	20,636	17,599
Miscellaneous	7,095	5,795	7,978
Motor vehicles	5,000	5,365	4,605
Office supplies and postage	16,500	16,036	9,354
Professional fees	8,500	11,086	8,168
Property maintenance and security salaries	102,385	105,457	115,090
Pension plan and other benefits	95,000	84,271	105,315
Salaries and wages - Administration	139,360	145,580	137,183
Sewer and water	31,000	35,276	36,225
Staff and Commission training and travel.	18,000	15,618	16,507
Special projects wages	---	183	22,794
Telephone	16,000	15,213	13,838
Workers' compensation	24,000	16,382	16,891
	$ 586,740	$ 575,324	$ 612,674

Schedule 2

Program Revenue and Expenditures
Year ended March 31, 2005

	2005 Budget	2005 Net Expenditures	2004 Net Expenditures
Ambrotype Studio	$ 10,500	$ 11,549	$ 5,975
Blacksmith shop	10,945	13,487	12,736
Boat shop	800	---	---
Costume shop	26,150	25,475	23,096
Craft shop	29,710	22,982	27,903
Education program	(38,000)	(40,808)	(23,142)
Emporium (Schedule 3)	(38,500)	(27,054)	(27,147)
Exhibit operations	1,200	74	104
Future studies	---	711	---
Guides	265,480	241,210	254,298
Jordan barn	34,915	46,406	43,405
Pottery shop	27,700	29,761	24,175
Program management	80,675	74,219	74,790
Restaurant	(2,000)	(2,665)	(556)
Riverfront project, St. Mary's Boat Club	---	---	1,198
Print shop	500	(389)	(722)
Sawmill operations	25,020	27,575	19,029
Theatre program	2,100	(82)	(967)
Turner shop	23,190	19,768	18,614
Woodworking shop	3,790	39,913	262
	$ 464,175	$ 482,132	$ 453,051
Program expenditures	$ 798,175	$ 848,114	$ 797,346
Less: Program revenue	334,000	365,982	344,295
Net expenditures	$ 464,175	$ 482,132	$ 453,051

Schedule 3

Schedule of Retail Operations - Emporium
Year ended March 31, 2005

	2005	2004
Revenue		
Sales	$ 143,708	$ 141,060
Cost of goods sold		
Merchandise inventory, opening	34,110	36,381
Purchases	93,270	81,548
Merchandise available for sale	127,380	117,929
Less: Merchandise inventory, ending	37,752	34,110
Cost of goods sold	89,628	83,819
Gross profit on sales	54,080	57,241
Expenses		
Salaries and wages	21,837	25,906
General expense	5,189	4,188
	27,026	30,094
Net retail income	$ 27,054	$ 27,147

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of the
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2005 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the South Shore District Health Authority'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 District Health Authority as at March 31, 2005 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 9, 2005

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH

Statement of Financial Position
March 31, 2005

	2005			2004
	Operating Fund	Capital Fund	Total	Total
ASSETS				
Current				
Cash and cash equivalents	$ 2,156,970	$ 1,925,343	$ 4,082,313	$ 2,150,807
Accounts receivable (Note 3)	6,449,994	1,683,992	8,133,986	7,965,360
Inventory	710,156	---	710,156	564,863
Prepaid expenses	343,070	66,358	409,428	368,886
	9,660,190	3,675,693	13,335,883	11,049,916
Long-term assets (Note 4)	4,280,334	---	4,280,334	3,914,031
Property, plant and equipment (Note 5)	---	28,954,024	28,954,024	27,238,608
	$ 13,940,524	$ 32,629,717	$ 46,570,241	$ 42,202,555
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	$ 7,911,658	$ 2,445,835	$ 10,357,493	$ 8,379,807
Revenue received in advance	2,235,912	---	2,235,912	2,423,740
	10,147,570	2,445,835	12,593,405	10,803,547
Employee future benefits (Note 12)	4,042,641	---	4,042,641	3,772,614
Deferred capital grants (Note 8)	---	30,107,944	30,107,944	27,741,126
	14,190,211	32,553,779	46,743,990	42,317,287
FUND BALANCES				
Restricted	---	---	---	8,364
Unrestricted	(249,687)	75,938	(173,749)	(123,096)
	(249,687)	75,938	(173,749)	(114,732)
	$ 13,940,524	$ 32,629,717	$ 46,570,241	$ 42,202,555

Commitments (Note 9)

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH

Statement of Changes in Fund Balances
Year Ended March 31, 2005

	2005			2004
	Operating Fund	**Capital Fund**	**Total**	**Total**
Restricted Fund Balances				
Balance, beginning of year	$ 8,364	$ ---	$ 8,364	$ 8,364
Transfer to unrestricted fund	(8,364)	---	(8,364)	---
Balance, end of year	---	---	---	8,364
Unrestricted Fund Balances				
Balance, beginning of year	(180,636)	57,540	(123,096)	36,051
Transfer from restricted fund	8,364	---	8,364	---
(Deficiency) excess of revenues over expenses	(77,415)	18,398	(59,017)	(159,147)
Balance, end of year	(249,687)	75,938	(173,749)	(123,096)
Total Fund Balances.	$ (249,687)	$ 75,938	$ (173,749)	$ (114,732)

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH

Statement of Operations
Year Ended March 31, 2005

	2005 Operating Fund	2005 Capital Fund	2005 Total	2004 Total
Revenue				
Department of Health funding	$ 45,401,844	$ ---	$ 45,401,844	$ 43,001,954
Veterans Affairs Canada	2,037,976	---	2,037,976	2,111,260
Patient Services	1,543,306	---	1,543,306	1,577,640
Program recoveries	5,571,833	---	5,571,833	5,461,146
Amortization of deferred capital grants	---	2,308,362	2,308,362	2,749,827
Other	651,789	6,827	658,616	642,844
	55,206,748	2,315,189	57,521,937	55,544,671
Expenses				
Administration and Support	1,425,738	---	1,425,738	2,017,903
Addiction	1,755,396	---	1,755,396	1,695,931
Diagnostic Imaging	2,796,473	---	2,796,473	2,494,191
Environmental	2,169,603	---	2,169,603	1,964,886
Finance	585,925	---	585,925	614,711
Food and Nutrition	2,643,667	---	2,643,667	2,339,711
Health Registry	1,601,338	---	1,601,338	1,432,158
Human Resources	482,188	---	482,188	429,995
Information Services	1,211,108	---	1,211,108	1,093,041
Laboratory	3,596,631	---	3,596,631	3,235,830
Materiel Management	1,255,775	---	1,255,775	1,174,860
Mental Health	3,547,775	---	3,547,775	3,662,750
Nursing	22,615,426	---	22,615,426	21,338,198
Pharmacy	714,166	---	714,166	642,401
Plant and Support	3,264,008	---	3,264,008	3,158,320
Public Health	1,218,747	---	1,218,747	1,092,862
Rehabilitation Services	928,407	---	928,407	957,234
Other Programs	1,687,300	---	1,687,300	1,942,244
Employee Future Benefits	509,827	---	509,827	1,430,811
Amortization of Property, Plant and Equipment	---	2,296,791	2,296,791	2,728,546
Sundry	1,455,301	---	1,455,301	257,235
	55,464,799	2,296,791	57,761,590	55,703,818
(Deficiency) excess of revenues over expenses before applied funding	(258,051)	18,398	(239,653)	(159,147)
Applied funding for 2003-2004 operating deficiency	180,636	---	180,636	---
(Deficiency) excess of revenues over expenses	$ (77,415)	$ 18,398	$ (59,017)	$ (159,147)

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH

Statement of Cash Flows
Year Ended March 31, 2005

	2005			2004
	Operating Fund	**Capital Fund**	**Total**	**Total**
Net inflow (outflow) of cash related to the following activities:				
Operating				
(Deficiency) excess of revenues over expenses	$ (77,415)	$ 18,398	$ (59,017)	$ (159,147)
Adjusted for:				
Amortization of property, plant and equipment	---	2,296,791	2,296,791	2,728,546
Amortization of deferred capital grants	---	(2,308,362)	(2,308,362)	(2,749,827)
Employee future benefits (Note 12)	509,827	---	509,827	1,430,811
Payment of employee future benefits (Note 12)	(239,800)	---	(239,800)	(150,414)
Changes in non-cash working capital items (Note 11)	(1,300,457)	2,735,854	1,435,397	(219,609)
	(1,107,845)	2,742,681	1,634,836	880,360
Financing				
Proceeds from capital grants (Note 8)	---	4,675,180	4,675,180	3,223,127
Investing				
Investment in long-term assets	(372,468)	6,165	(366,303)	(1,142,619)
Acquisition of property, plant and equipment	---	(4,012,207)	(4,012,207)	(3,282,982)
	(372,468)	(4,006,042)	(4,378,510)	(4,425,601)
Net cash (outflow) inflow	(1,480,313)	3,411,819	1,931,506	(322,114)
Cash and cash equivalents (bank indebtedness), beginning of year	3,637,283	(1,486,476)	2,150,807	2,472,921
Cash and cash equivalents, end of year	$ 2,156,970	$ 1,925,343	$ 4,082,313	$ 2,150,807

Supplemental cash flow information:

Interest received	$ 31,549	$ 2,279	$ 33,828	$ (35,721)

1. DESCRIPTION OF ORGANIZATION

The South Shore District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South Shore District Health Authority's mission: "Work with individuals, families and communities to prevent illness, provide care and improve the health of those we serve".

The facilities owned and operated by the District Health Authority are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queens General Hospital. In addition, the District Health Authority leases space in other locations to operate community-based programs throughout Lunenburg and Queens counties and supports two Community Health Boards.

The South Shore District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

Fund accounting
Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South Shore District Health Authority's capital assets and special purposes and endowment funds.

Revenue recognition
The South Shore District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand and balances with banks.

Inventory
Inventories are recorded at the lower of average cost and replacement cost and includes stores, pharmacy drugs, medical/surgical, and other general inventory.

Property, plant and equipment

Purchased capital assets are recorded in the capital fund at cost. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 33%
Equipment under capital lease	5 - 20%

Deferred capital grants

Deferred contributions reported in the capital fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

Employee future benefits

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, and the estimated useful life for certain items of property, plant and equipment. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- operating funding	$ 3,333,406	$ ---	$ 3,333,406	$ 2,262,330
- transition support program	33,008	---	33,008	33,008
- capital grants	---	520,533	520,533	2,647,187
Veterans Affairs Canada	176,930	---	176,930	427,716
Patient care	726,883	---	726,883	512,343
HST rebates	171,493	193,763	365,256	354,075
Extended care facilities	60,714	---	60,714	34,344
Homecare/VON	12,897	---	12,897	34,862
Charitable foundations	69,909	43,004	112,913	506,255
Psychiatric recoveries	121,273	---	121,273	60,643
Other	1,743,481	926,692	2,670,173	1,092,597
	$ 6,449,994	$ 1,683,992	$ 8,133,986	$ 7,965,360

4. LONG-TERM ASSETS

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Payroll advances	$ 121,990	$ ---	$ 121,990	$ 135,252
Employee future benefits	4,158,344	---	4,158,344	3,772,614
Other	---	---	---	6,165
	$ 4,280,334	$ ---	$ 4,280,334	$ 3,914,031

5. PROPERTY, PLANT AND EQUIPMENT

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and land improvements	$ 1,116,056	$ 688,140	$ 427,916	$ 444,497
Building and building service equipment	42,158,872	17,228,742	24,930,130	23,042,223
Equipment	28,629,450	25,059,032	3,570,418	3,605,961
Equipment under capital lease	1,313,835	1,288,275	25,560	145,927
	$ 73,218,213	$ 44,264,189	$ 28,954,024	$ 27,238,608

6. CREDIT FACILITIES

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $3.55 million. As well, the District Health Authority has available a capital line of credit in the amount of $675,000 with a Canadian chartered bank. As of March 31, 2005, interest charges on any overdraft accounts are at prime less .75%. There were no amounts owing on these lines at March 31, 2005 as the consolidated bank balance (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority) was positive.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Trade payables	$ 855,836	$ 249,520	$ 1,105,356	$ 1,570,597
Accrued liabilities	971,939	2,196,315	3,168,254	1,560,417
Vacation pay	3,095,059	---	3,095,059	2,865,063
Salary and benefits	2,958,365	---	2,958,365	2,331,792
Other	30,459	---	30,459	51,938
	$ 7,911,658	$ 2,445,835	$ 10,357,493	$ 8,379,807

8. DEFERRED CAPITAL GRANTS

	2005	2004
Balance, beginning of year	$ 27,741,126	$ 27,267,826
Grants received for:		
Capital assets purchased	1,802,457	2,959,127
Future capital asset purchases	2,872,723	---
Donated asset	---	264,000
	32,416,306	30,490,953
Amortization of deferred capital grants	(2,308,362)	(2,749,827)
Balance, end of year	$ 30,107,944	$ 27,741,126

9. COMMITMENTS

Leases and purchase commitments

The South Shore District Health Authority has committed funds from operations for operating supplies, occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2006	$ 614,088
2007	570,088
2008	486,645
2009	192,032
2010	123,680
	$ 1,986,533

10. PENSION PLAN

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted December 31, 2003, which showed an unfunded liability for the entire plan of $ Nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At that time, there was an unfunded liabililty. South Shore District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2005 was $1,755,457 (2004 - $1,655,902).

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2005			2004
	Operating Fund	Capital Fund	Total	Total
Accounts receivable	$ (1,780,814)	$ 1,612,188	$ (168,626)	$ (2,146,526)
Inventory	(145,293)	---	(145,293)	(37,549)
Prepaid expenses	25,816	(66,358)	(40,542)	(97,830)
Accounts payable and accrued liabilities	787,662	1,190,024	1,977,686	1,332,782
Revenue received in advance	(187,828)	---	(187,828)	729,514
	$ (1,300,457)	$ 2,735,854	$ 1,435,397	$ (219,609)

12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the projected benefit method pro-rated on service".

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for post retirement benefits was in December 31, 2003.

		March 31 2005		March 31 2004
Accrued benefit liability				
Accrued benefit obligation.	$	4,068,089	$	3,868,489
Add unamortized actuarial experience gain.		(25,448)		(95,875)
Accrued benefit liability on the statement of financial position	$	4,042,641	$	3,772,614
Net benefit costs recognized				
Current service costs.	$	272,300	$	261,400
Amendment in plan terms.		---		942,100
Interest cost.		228,400		219,800
Current year amortized actuarial loss.		9,127		7,511
Employee future benefits expense on the statement of operations	$	509,827	$	1,430,811
Payment of employee future benefits on the statement of cash flows.	$	(239,800)	$	(150,414)

The significant actuarial assumptions adopted in estimating the District's accrued benefit obligation are as follows:

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2005 was 6.05% (2004 - 6.17%).

13. FINANCIAL INSTRUMENTS

Fair value

The reported values of financial instruments which consist of cash and cash equivalents, short - term investments, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near term maturity of these instruments.

Credit risk

The South Shore District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there to be no significant credit risk as at March 31, 2005.

AUDITOR'S REPORT

To the Chairperson and Members
of the South Shore Regional School Board

We have audited the statement of financial position of the South Shore Regional School Board as at March 31, 2005, and the statements of operations and accumulated deficit, changes in net debt and cash flows for the period then ended. These financial statements are the responsibility of the School Board's management. Our responsibility is to express an opinion on these financial based on our audit.

Except as explained in the following paragraphs, 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.

On March 30, 2005, The Province of Nova Scotia has implemented a new financial handbook for March 31, 2005 and for future years. The new handbook requires all school boards to include all revenues, expenses and the financial position of school based funds. The school board did not include any school based fund activity in the current year financial statements. In addition, the client could not provide us with the financial information for these funds (except for the cash balance as at March 31, 2005). Consequently, we were not able to audit any of the school based activities, and did not perform any audit procedures on the cash balances as provided by the board.

The above noted changes to the handbook also require the school board to disclose information on defined benefit pension plans which it administers. The school board is one of two that were created on de-amalgamation of another school board, which had created the plan. Due to the fact that the most recent actuarial report was December 31, 2001 and that it is a report for the previous amalgamated board, information is not readily available for the newly created boards. Consequently, management was not able to determine whether any liability existed at March 31, 2005 and we are not able to perform any audit procedures to determine the extent of any possible liability.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves by examining the accounting records for the school based funds and by examining actuarial reports for the board as at March 31, 2005 referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations, changes in net debts and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Grant Thornton LLP
Registered Municipal Auditors

Bridgewater, Nova Scotia
June 27, 2005

SOUTH SHORE REGIONAL SCHOOL BOARD

Statement of Financial Position
as at March 31, 2005

ASSETS

	2005	2004
Financial Assets		
Cash and cash equivalents	$ 305,544	$ ---
	305,544	---
Accounts Receivable		
Province of Nova Scotia	2,509,779	---
Government of Canada	223,262	---
Municipalities	---	---
Other	236,875	---
Receivable - Retirement Allowance (Note 6)	3,165,690	---
Total Financial Assets	$ 6,441,150	$ ---

LIABILITIES

	2005	2004
Liabilities		
Bank Indebtedness	$ ---	$ ---
Accounts payable and accrued liabilities-trade	1,712,386	---
Payroll and Employee Deductions	1,760,762	---
Payables and Accruals - Government		
Province of Nova Scotia	22,911	---
Government of Canada	5,505	---
Municipalities	20,053	---
Other (Government Service Organizations)	42,947	---
Deferred Revenue	309,975	---
Retirement Obligations (Note 6)	3,165,690	---
Total Liabilities	$ 7,040,229	$ ---
Net (debt)/surplus	$ (599,079)	$ ---
Non-Financial Assets (Note 2)		
Tangible Capital Assets (Schedule C)	$ ---	$ ---
Inventory	421,026	---
Prepaid expenses	67,186	---
	$ 488,212	$ ---
Accumulated surplus/(deficit)	$ (110,867)	$ ---
Total acumulated surplus/(deficit)	$ (110,867)	$ ---

Trust Funds under Administration (Note 4)
Accounting Changes (Note 11)
Contingencies and Contractual Obligations (Note 5)

See accompanying notes to the financial statements.

SOUTH SHORE REGIONAL SCHOOL BOARD

Statement of Operations
For the Eight months Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Revenues (Schedule A)			
Province of Nova Scotia	$ 29,329,532	$ 30,523,432	$ ---
Government of Canada	268,072	247,492	---
Municipal contributions	7,640,145	7,640,139	---
Board Operations	351,652	286,467	---
Total Revenues	$ 37,589,401	$ 38,697,530	$ ---
Expenses (Schedule B)			
Board Governance	173,971	157,282	---
Regional Management	1,058,763	1,134,535	---
School Management & Support	3,883,459	3,609,553	---
Instruction & School Services	18,735,591	20,118,383	---
Student Support	4,081,079	4,093,763	---
Adult & Community Education	109,347	85,407	---
Property Services	6,443,687	6,416,387	---
Student Transportation	2,994,201	3,145,098	---
Other Programs	340,169	437,440	---
Interest - Service Awards - Teachers (Note 6)	69,200	69,200	---
	$ 37,889,467	$ 39,267,048	$ ---
School Board surplus/(deficit) on an expense basis	$ (300,066)	$ (569,518)	$ ---
Accumulated surplus/(deficit), beginning of period	$ 300,066	$ 458,651	$ ---
Surplus transferred from Southwest Regional School Board	$ ---	$ (110,867)	$ ---
Capital assets from Southwest Regional School Board	---	49,121,085	---
Accounting changes (Note 11)	---	(49,121,085)	---
Accumulated surplus/(deficit), end of period	$ ---	$ (110,867)	$ ---

See accompanying notes to the financial statements.

SOUTH SHORE REGIONAL SCHOOL BOARD

Statement of Changes in Net Debt
For the Eight months Ended March 31, 2005

	2005 Actual	2004 Actual
Net financial resources, as originally reported		
Accounting Changes	$ ---	$ ---
Surplus-Operating transferred from:		
Southwest Regional School Board, August 1, 2004	328,622	---
Surplus-Reserve transferred from:		
Southwest Regional School Board, August 1, 2004	128,314	---
Net financial resources, Beginning of period, as restated	456,936	---
Changes in the Period		
Surplus-Operating to fund current operations	(458,651)	---
Interest on Restricted Funds	1,715	---
Annual surplus/(deficit)	(110,867)	---
Increase (decrease) in inventories of supplies	(421,026)	---
Increase (decrease) in prepaid expenses	(67,186)	---
Increase (decrease) in net debt	(1,056,015)	---
Net debt at end of period	$ (599,079)	$ ---

Statement of Cash Flow
For the Eight months Ended March 31, 2005

Indirect Method

	2005	2004
Operating transactions		
Annual Operating Surplus/(deficit)	$ (110,867)	$ ---
Items not affecting cash:		
Capital Asset Amortization	---	---
Deferred contributions amortization	---	---
	---	---
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(2,969,916)	---
(Increase) decrease in inventories of supplies	(421,026)	---
(Increase) decrease in prepaid expenses	(67,186)	---
Increase (decrease) in accounts payable and accruals	3,564,564	---
Increase (decrease) in deferred revenue	309,975	---
	416,411	---
Cash provided by operating activities	305,544	---
Capital activities		
Cash used to acquire tangible capital assets	---	---
Cash applied to capital activities	---	---
Increase in cash	305,544	---
Cash at beginning of period	---	---
Cash at end of period	$ 305,544	$ ---

See accompanying notes to the financial statements.

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenues
For the Eight months Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Province of Nova Scotia			
Operating	$ 24,075,834	$ 24,158,334	$ ---
Restricted	2,581,705	2,419,951	---
Capital	2,172,482	2,031,954	---
Other	499,511	1,850,961	---
Recoveries	---	62,232	---
	$ 29,329,532	$ 30,523,432	$ ---
Government of Canada			
HRDC	$ ---	$ ---	$ ---
Other	166,092	144,450	---
First Nations	101,980	103,042	---
	$ 268,072	$ 247,492	$ ---
Municipal contributions-Mandatory	$ 7,640,145	$ 7,640,139	$ ---
	$ 7,640,145	$ 7,640,139	$ ---
Other Revenues			
Board Generated - Other	$ 239,832	$ 173,564	$ ---
Interest/Investment	41,196	46,899	---
Sale of Assets	7,719	3,099	---
From Other - School Boards	62,905	62,905	---
	$ 351,652	$ 286,467	$ ---
Total Reveneus	$ 37,589,401	$ 38,697,530	$ ---

See accompanying notes to the financial statements.

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Eight months Ended March 31, 2005

	2005		2004
	Budget	Actual	Actual
Board Governance			
Salaries	$ 91,166	$ 96,520	$ ---
Benefits	4,917	5,006	---
Travel	17,400	15,936	---
Supplies/Materials/Telecommunications	13,560	9,902	---
Professional Development	19,484	2,774	---
NSSBA Dues	27,444	27,144	---
Total Board Governance	$ 173,971	$ 157,282	$ ---
Regional Management			
Salaries	$ 599,775	$ 582,689	$ ---
Benefits	84,189	85,425	---
Travel	19,110	15,239	---
Professional Services	65,731	117,361	---
Contracted Services	370,902	377,660	---
Repairs/Maintenance	10,876	27,824	---
Supplies/Materials/Telecommunications	74,792	76,295	---
Utilities	7,177	11,993	---
Professional Development	24,574	21,646	---
Bank/Interest Costs	1,717	125	---
Insurance	52,224	47,259	---
Recovery - Shared Services	(252,304)	(228,981)	---
Total Regional Management	$ 1,058,763	$ 1,134,535	$ ---
School Management & Support			
Salaries	$ 3,081,620	$ 2,986,524	$ ---
Benefits	210,802	203,087	---
Travel	33,589	28,887	---
Contracted Services	46,128	34,723	---
Repairs/Maintenance	4,060	2,076	---
Supplies/Materials/Telecommunications	342,339	263,408	---
Professional Development	164,921	90,848	---
Total School Management & Support	$ 3,883,459	$ 3,609,553	$ ---
Instruction & School Services			
Salaries	$ 17,130,047	$ 18,485,073	$ ---
Benefits	694,426	811,808	---
Retirement allowances - current service	198,317	104,066	---
Travel	4,550	3,027	---
Contracted Services	107,550	116,689	---
Supplies/Materials/Telecommunications	304,439	301,458	---
Textbook Allocation	296,262	296,262	---
Total Instruction & School Services	$ 18,735,591	$ 20,118,383	$ ---

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Eight months Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Student Support			
Salaries	$ 3,623,695	$ 3,650,639	$ ---
Benefits	367,259	346,303	---
Travel	17,035	25,460	---
Supplies/Materials/Telecommunications	63,567	62,984	---
Professional Development	9,523	8,377	---
Total Student Support	$ 4,081,079	$ 4,093,763	$ ---
Adult & Community Education			
Salaries	$ 89,425	$ 70,907	$ ---
Benefits	11,326	8,090	---
Travel	1,946	95	---
Contracted Services	---	1,449	---
Supplies/Materials/Telecommunications	6,300	4,519	---
Professional Development	350	347	---
Total Adult & Community Education	$ 109,347	$ 85,407	$ ---
Property Services			
Salaries	$ 1,568,590	$ 1,633,282	$ ---
Benefits	274,938	275,765	---
Travel	7,258	4,292	---
Contracted Services	303,622	349,828	---
Repairs/Maintenance	2,880,525	2,677,671	---
Vehicle Expenses	18,858	17,908	---
Supplies/Materials/Telecommunications	77,864	89,516	---
Utilities	1,228,233	1,338,057	---
Professional Development	6,166	1,198	---
Insurance	188,578	191,620	---
Recoveries	(110,945)	(162,750)	---
Total Property Services	$ 6,443,687	$ 6,416,387	$ ---
Student Transportation			
Salaries	$ 1,690,529	$ 1,722,284	$ ---
Benefits	311,604	311,253	---
Travel	61,856	53,030	---
Contracted Services	35,688	53,787	---
Repairs/Maintenance	27,852	47,290	---
Vehicle Maintenance	629,208	715,352	---
Conveyance	58,097	52,460	---
Supplies/Materials/Telecommunications	58,838	44,127	---
Utilities	21,295	40,621	---
Professional Development	6,166	2,136	---
Insurance	93,068	102,758	---
Total Student Transportation	$ 2,994,201	$ 3,145,098	$ ---

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Eight months Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Other Programs			
Salaries.	$ 183,392	$ 175,953	$ ---
Benefits	14,647	4,504	---
Travel	3,500	1,649	---
Repairs/Maintenance	---	21,831	---
Supplies/Materials/Telecommunications.	138,630	233,503	---
Total Other Programs.	$ 340,169	$ 437,440	$ ---
Interest Expense			
Interest - Service Awards - Teachers.	$ 69,200	$ 69,200	$ ---
Total Interest Expense.	$ 69,200	$ 69,200	$ ---
Total Expenditures.	$ 37,889,467	$ 39,267,048	$ ---

See accompanying notes to the financial statements.

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Tangible Capital Assets
For the Eight months Ended March 31, 2005

	Land, Buildings and Improvements	Major Equipment	Computer Hardware	Vehicles	2005 Total	2004 Total
Cost of Tangible Assets transferred from						
Southwest Regional School Board	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Additions	---	---	---	---	---	---
Disposals	---	---	---	---	---	---
Closing Costs	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Accumulated Amortization:						
Opening balance	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Disposals	---	---	---	---	---	---
Amortization expense	---	---	---	---	---	---
Closing Balance	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Net Book Value (NBV)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Net Book Value (NBV):						
Opening balance	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Closing Balance	---	---	---	---	---	---
Increase (Decrease) in NBV	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---

See accompanying notes to the financial statements

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule D - Trust Funds Balance Sheet
As at March 31, 2005

	2005	2004
Assets		
Cash	$ 339,717	$ ---
Equity		
Reserve for scholarships		
Teachers' Scholastic Scholarship	4,920	---
Forbes Mountain Scholarship	148	---
Josephine Christie Fredea Award	1,439	---
South Shore District Memorial Scholarship	3,421	---
Murray Barkhouse Scholarship Fund	3,841	---
Robert Hirtle Memorial Fund	1,286	---
Dr. K.C. Ghandi Marfatia Scholarship Fund	11,565	---
W.G.L. Hirtle Scholarship	10,259	---
Elinor Muir Leary Scholarship	9,632	---
Irene and Derrell Ernst Scholarship	4,757	---
David Lowe Scholarship	7,657	---
Clara Quinlan Scholarship	5,191	---
Monte Oickle Scholarship	4,347	---
Colleen Fink Memorial-Acadia	59,812	---
Paul Eisnor Memorial	469	---
Austin Nauss Scholarship	766	---
Timothy Daniels Memorial	4,916	---
Sylvia Weagle Bursary	28,157	---
Dr. J.C. Wickwire	2,301	---
M. Ernst MacLeod	3,995	---
Colleen Fink Memorial	116,685	---
Erma Westhaver Loomis	36,164	---
John S. Derrick	9,887	---
Caterina Cushing	7,926	---
Pension Deficiency Fund		
CUPE Pension Fund	176	---
	$ 339,717	$ ---

SOUTH SHORE REGIONAL SCHOOL BOARD

Schedule E - Supplementary Details of Trust Funds
For the Eight months Ended March 31, 2005

	Balance Beginning of Period	Additions	Interest	Disburse- ments	Balance End of Period
Teachers Scholastic.	$ 7,268	$ 3,419	$ 63	$ (5,830)	$ 4,920
Forbes Mountain	345	---	3	(200)	148
J.C. Fredea Memorial	1,420	---	19	---	1,439
South Shore District Memorial	4,124	---	47	(750)	3,421
M. Barkhouse Scholarship Fund.	4,060	29	52	(300)	3,841
Robert Hirtle Memorial Fund. .	225	1,050	11	---	1,286
Dr. K.C. Marfatia Ghandi. . . .	11,662	---	153	(250)	11,565
W.G.L. Hirtle	10,373	---	136	(250)	10,259
Elinor Muir Leary.	9,703	---	129	(200)	9,632
Irene / Derrell Ernst.	4,993	---	64	(300)	4,757
David Lowe.	7,706	50	101	(200)	7,657
Clara Quinlan.	5,247	---	69	(125)	5,191
Monte Oickle	4,589	---	58	(300)	4,347
Colleen Finck Memorial-Acadia	5,014	59,399	399	(5,000)	59,812
Paul Eisnor.	463	---	6	---	469
Austin Nauss.	755	---	11	---	766
Rodney Veinot	2,148	---	25	(2,173)	---
Timothy Daniels.	4,359	1,000	57	(500)	4,916
S Weagle Bursary.	28,483	---	374	(700)	28,157
Dr J.C. Wickwire	2,271	---	30	---	2,301
M. Ernst MacLeod.	3,943	---	52	---	3,995
Colleen Finck Memorial	123,971	---	1,564	(8,850)	116,685
Erma Westhaver Loomis	36,532	---	482	(850)	36,164
John S. Derrick.	10,255	---	132	(500)	9,887
Caterina Cushing	---	8,865	61	(1,000)	7,926
	$ 289,909	$ 73,812	$ 4,098	$ (28,278)	$ 339,541
Pension Deficiency Fund:					
CUPE Pension Fund.	174	---	2	---	176
	$ 290,083	$ 73,812	$ 4,100	$ (28,278)	$ 339,717

1. Board Restructuring

The Southwest Regional School Board was dissolved on July 31, 2004 and two new regional school boards were formed on August 1, 2004 under the names of South Shore Regional School Board and Tri-County Regional School Board. The areas of Finance, Human Resources and Information Technology were structured as shared services for both the regional school boards.

2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

Basis of Accounting and Consolidation

Revenues

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

The consolidated statement of financial position is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

Expenses

Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and are for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principle amount less valuation allowances, if applicable.

Liabilities

Pension, Retirement and Other Obligations include various employee benefits. For purposes of these financial statements, the School Board's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Board's best estimates of performance over the long-term. The net pension liabilities represent accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses.

Deferred Revenue
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year that the related expenditures are incurred or service performed.

Net Debt
Net debt represents the direct liabilities of the Board less financial assets.

Non-Financial Assets
The Southwest Regional School Board was dissolved on July 31, 2004.

Inventories are bus garage parts and bus tire inventories recorded at average cost. All other supplies and purchases are expensed.

Prepaid expenses are cash disbursements for goods and services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficit/Surplus
Accumulated Deficit/Surplus represented the liabililties of the School Board less financial assets and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

3. School Generated Funds

School Generated Funds, which include the revenues and expenditures and fund balances of various organizations that exist at the school level under the juristiction of the school board, are not reflected on the consolidated financial statements for the eight months ended March 31, 2005. School generated funds will be included on the 2005-2006 financial statements. This allows for a transition period for schools to change year ends to March 31st instead of July 31st of each year.

Fund balances at the school level total $991,981 as of March 31, 2005. This cash amount was not subject to an audit, as outlined in the audit report.

4. Trust Funds under Administration

Trust fund assets administered by the School Board are identified in Schedule D. The Trust funds represent capital contributed in trust as well as income thereon. Such income is used to provide scholarships for eligible students or for expenditures for specifically, designated purposes.

5. Contractual Obligations

Minimum payments over the next five years are as follows:

	Copier Leases	Rental Leases	Total
2006	$ 137,170	$ 153,942	$ 291,112
2007	143,438	157,830	301,268
2008	72,711	84,347	157,058
2009	19,324	60,297	79,621
2010	7,631	19,891	27,522
Total	$ 380,274	$ 476,307	$ 856,581

6. Pension Plans

The South Shore Regional School Board and Tri-County Regional Boards sponsor two defined benefit pension plans for substantially all of the non-teaching employees. There are two seperate plans - one for CUPE Staff and one for Support Staff. Benefits are based on career earning levels..

Employees make contributions equal to five percent of their salary and the school boards contribute the balance to fully fund the pension plans.

The latest actuarial valuation was completed as of December 31, 2001 for the Southwest Regional School Board and the next valuation is scheduled for December 31, 2004.

Staff Support Plan

Going-Concern Financial Position December 31, 2001

Total Actuarial value of assets	-	$	4,762,700
Total Actuarial Liability	-	$	4,644,300
Actuarial Surplus	-	$	118,400

Solvency Financial Position as at December 31, 2001

Total Solvency assets	-	$	4,784,600
Total Solvency liability	-	$	4,806,700
Solvency (deficiency)	-	$	(22,100)

CUPE Staff Plan

Going-Concern Financial Position December 31, 2001

Total Actuarial value of assets	-	$	5,591,800
Total Actuarial liability	-	$	4,983,400
ctuarial Surplus	-	$	608,400

Solvency Financial Position as at December 31, 2001

Total Solvency assets	-	$	5,561,800
Total Solvency liability	-	$	5,161,200
Solvency surplus	-	$	400,600

The South Shore Regional School Board participates in a pension plan with the Nova Scotia School Board Association on behalf of some non-teaching employees.

The School Board's teaching staff are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers Pension Act. Employer contributions for these employees are provided directly by the Province of Nova Scotia. The pension costs and obligations related to this plan are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

7. Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

8. Commitments

Service Awards

For all service on or before July 31, 2000, under the terms of the agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years of service with the Board. The amounts of the awards are as follows:

Queens District	- 0.45 of 1% of a TC5 - MAX per year of service (maximum 35 years)
Lunenburg District	- $200 per year of service (maximum 35 years)

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and the Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

For all service commencing on or after August 1, 2002 under the terms of agreement with the NSTU and the Province of Nova Scotia the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: 1% of each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia.

Continuity of Retirement Allowance Liability		**March 31, 2005**
Actuarial liability, August 1, 2004	$	1,850,826
Beginning unamortized gain (loss), liability		1,297,198
Beginning balance per financial statements	$	3,148,024
Current service cost (Retiring allowance expense)	$	90,400
Amortization of experience gains/losses		13,666
Retiring allowance expense	$	104,066
Estimated benefits paid	$	(155,600)
Interest expense-Service Awards-Teachers		69,200
Ending balance per Balance Sheet	$	3,165,690
Reconcilliation to actuarial report:		
Per actuaries	$	1,787,500
Unamortized gain/(loss)		1,378,190
	$	3,165,690

9. P-3 Operating Expenses

Bayview Community School and Aspotogan Consolidated Elementary School were opened for the 2000/01 school year. All payments for the P3 leases are made by the Province of Nova Scotia to the private partner and contain both a capital and operating component.

10. Salary Negotiations

At March 31, 2005, salary and wage agreements were not settled for:

- Canadian Union of Public Employees, Local 4682
- Service Employees International Union, Local 902

Projected wage settlements have been accrued retroactive to April 1, 2004.

11. Accounting changes

(a) In adopting the new School Board Financial Handbook, the School Board has removed (written off) from the accounting records capital assets previously included on the financial statements of the Southwest Regional School Board, as sufficient historical costing information is not available. This change in accounting has decreased the school board's capital equity, as transferred from the Southwest Regional School Board, by $49,121,085 in 2005.

(b) The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching staff. This accounting change has no effect of the school board's annual surplus or its accumulated surplus as at March 31, 20005. A receivable from the Province of Nova Scotia has been accrued by the School Board equivalent to that amount of salaries and benefits accrued as a liability.

(c) Vacation pay for 12-month employees has been accrued as at March 31, 2005 and is recorded as a salary expense. This change has not been applied retroactively and has no effect on the annual surplus or the accumulated surplus as at March 31, 2005. A receivable from the Province of Nova Scotia has also been accrued by the School Board equivalent to that amount of vacation pay accrued.

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of the
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2005 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority'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 District Health Authority as at March 31, 2005 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 9, 2005

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Financial Position
as at March 31, 2005

	Operating Fund	Capital Fund	2005 Total	2004 Total
ASSETS				
Current				
Cash and cash equivalents	$ 1,744,137	$ (1,236,545)	$ 507,592	$ 2,442,427
Accounts receivable (Note 3)	6,167,803	1,240,271	7,408,074	6,138,958
Inventory	990,267	---	990,267	901,775
Prepaid expenses	756,410	---	756,410	590,064
	9,658,617	3,726	9,662,343	10,073,224
Long-term assets (Note 4)	5,713,645	---	5,713,645	5,401,674
Property, plant and equipment (Note 5)	---	69,529,627	69,529,627	68,215,560
	$ 15,372,262	$ 69,533,353	$ 84,905,615	$ 83,690,458
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	$ 6,741,784	$ 668,864	$ 7,410,648	$ 8,074,434
Revenue received in advance	3,215,969	---	3,215,969	2,856,269
	9,957,753	668,864	10,626,617	10,930,703
Employee future benefits (Note 12)	5,429,385	---	5,429,385	5,011,064
Deferred capital grants (Note 8)	---	68,620,129	68,620,129	67,822,157
	15,387,138	69,288,993	84,676,131	83,763,924
FUND BALANCES				
Restricted	70,217	10,645	80,862	80,862
Unrestricted	(85,093)	233,715	148,622	(154,328)
	(14,876)	244,360	229,484	(73,466)
	$ 15,372,262	$ 69,533,353	$ 84,905,615	$ 83,690,458

Commitments (Note 9)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Changes in Fund Balances
for the year ended March 31, 2005

		Operating Fund		Capital Fund		2005 Total		2004 Total
Restricted Fund Balances	$	70,217	$	10,645	$	80,862	$	80,862
Unrestricted Fund Balances								
Balance, beginning of year . . .		(473,805)		319,477		(154,328)		412,977
Allocation for 2003/2004 operating deficit		473,805		---		473,805		---
Deficiency of revenues over expenses.		(85,093)		(85,762)		(170,855)		(567,305)
Balance, end of year.		(85,093)		233,715		148,622		(154,328)
Total Fund Balances.	$	(14,876)	$	244,360	$	229,484	$	(73,466)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statement of Operations
for the year ended March 31, 2005

	Operating Fund	Capital Fund	2005 Total	2004 Total
Revenue				
Department of Health funding	$ 55,971,548	$ ---	$ 55,971,548	$ 52,971,354
Veterans Affairs Canada	1,495,352	---	1,495,352	1,438,867
Patient	1,278,073	---	1,278,073	1,211,127
Physician funding	2,273,524	---	2,273,524	1,996,508
Program recoveries	4,607,822	---	4,607,822	4,078,653
Amortization of deferred capital grants	---	3,529,615	3,529,615	3,790,724
Other	818,899	3	818,902	769,557
	66,445,218	3,529,618	69,974,836	66,256,790
Expenses				
Administration and Support	2,338,229	---	2,338,229	2,288,693
Addiction	1,497,600	---	1,497,600	1,791,345
Diagnostic Imaging	2,810,167	---	2,810,167	2,651,329
Environmental	3,127,770	---	3,127,770	2,831,338
Finance	677,010	---	677,010	746,080
Food and Nutrition	4,918,753	---	4,918,753	4,206,940
Health Information	1,456,252	---	1,456,252	1,446,164
Human Resources	556,188	---	556,188	576,891
Information Technology	1,470,139	---	1,470,139	1,326,632
Laboratory	4,426,897	---	4,426,897	4,263,075
Materials Management	1,511,845	---	1,511,845	1,419,310
Mental Health	3,903,402	---	3,903,402	3,307,596
Nursing	24,139,896	---	24,139,896	22,844,722
Pharmacy	599,237	---	599,237	605,589
Plant and Support	4,420,617	---	4,420,617	4,312,115
Rehabilitation	1,060,293	---	1,060,293	860,045
Other Programs	3,750,490	---	3,750,490	3,685,817
Public Health	1,973,209	---	1,973,209	1,717,999
Employee Future Benefits	698,300	---	698,300	1,834,183
Amortization of Property, Plant and Equipment	---	3,615,614	3,615,614	3,878,686
Sundry	720,212	(234)	719,978	229,546
	66,056,506	3,615,380	69,671,886	66,824,095
Excess (deficiency) of revenues over expenses before allocation	388,712	(85,762)	302,950	(567,305)
Allocation for 2003/2004 operating deficit	(473,805)	---	(473,805)	---
Deficiency of revenues over expenses	$ (85,093)	$ (85,762)	$ (170,855)	$ (567,305)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

Statements of Cash Flows
for the year ended March 31, 2005

	Operating Fund	Capital Fund	2005 Total	2004 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Deficiency of revenues over expenses	$ (85,093)	$ (85,762)	$ (170,855)	$ (567,305)
Adjusted for:				
Amortization of property, plant and equipment.	---	3,615,614	3,615,614	3,878,686
Amortization of deferred capital grants	---	(3,529,615)	(3,529,615)	(3,790,724)
Allocation for 2003/2004 operating deficit	473,805	---	473,805	---
Employee future benefits (Note 12)	698,300	---	698,300	1,834,183
Payment of employee future benefits (Note 12)	(279,979)	---	(279,979)	(300,692)
Changes in non-cash working capital items (Note 11)	(2,652,682)	824,642	(1,828,040)	3,100,504
	(1,845,649)	824,879	(1,020,770)	4,154,652
Financing				
Proceeds from capital grants (Note 8).	---	4,327,587	4,327,587	5,618,339
	---	4,327,587	4,327,587	5,618,339
Investing				
Investment in long-term assets	(311,971)	---	(311,971)	(1,511,329)
Acquisition of property, plant and equipment.	---	(4,929,681)	(4,929,681)	(7,515,642)
	(311,971)	(4,929,681)	(5,241,652)	(9,026,971)
Net cash (outflow) inflow	(2,157,620)	222,785	(1,934,835)	746,020
Cash and cash equivalents (bank indebtedness), beginning of year	3,901,757	(1,459,330)	2,442,427	1,696,407
Cash and cash equivalents (bank indebtedness), end of year.	$ 1,744,137	$ (1,236,545)	$ 507,592	$ 2,442,427

Supplemental cash flow information:

Interest (received).	$ 31,812	$ 4,410	$ 36,222	$ 11,282

1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South West Nova District Health Authority's mission: "Work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services."

The facilities owned and operated by the District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

The South West Nova District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies and include the following significant accounting policies:

a) Fund accounting

Revenue and expenses related to program delivery and administration are reported in the operating fund. The capital fund reports the assets, liabilities, revenue and expenses related to the South West Nova District Health Authority's capital assets, and special purposes and endowment funds.

b) Revenue recognition

The South West Nova District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank indebtedness, balances with banks and money market investments.

d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and includes medical/surgical, drugs, and other general inventory.

e) Property, plant and equipment

Purchased capital assets are recorded in the capital fund at cost. Contributed capital assets are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 33%

f) Deferred capital grants

Deferred contributions reported in the capital fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

g) Employee future benefits

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

h) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, and the estimated useful life for certain items of property, plant and equipment. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2005 Total	2004 Total
Department of Health				
Operating funding	$ 2,884,746	$ ---	$ 2,884,746	$ 1,184,291
Transition support program	8,497	---	8,497	8,497
Capital grants	---	584,643	584,643	2,105,626
Patient care	510,941	---	510,941	376,467
HST rebates	260,888	64,559	325,447	407,825
Extended care facilities	1,796,203	---	1,796,203	1,078,397
Homecare/VON	56,933	---	56,933	50,711
Charitable foundations	10,041	255,471	265,512	661,907
Psychiatric recoveries	569	---	569	14,378
Other	638,985	335,598	974,583	250,859
	$ 6,167,803	$ 1,240,271	$ 7,408,074	$ 6,138,958

4. LONG-TERM ASSETS

	Operating Fund	Capital Fund	2005 Total	2004 Total
Payroll advances	$ 196,576	$ ---	$ 196,576	$ 239,456
Employee future benefits	5,517,069	---	5,517,069	5,162,218
	$ 5,713,645	$ ---	$ 5,713,645	$ 5,401,674

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2005	Net Book Value 2004
Land and land improvements	$ 862,452	$ 146,685	$ 715,767	$ 727,536
Building and building service equipment	89,373,515	26,451,354	62,922,161	60,893,643
Equipment	23,061,617	17,169,618	5,891,699	6,594,381
	$ 113,297,584	$ 43,767,657	$ 69,529,627	$ 68,215,560

6. CREDIT FACILITIES

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling $4.4 million. As well, the District Health Authority has available a capital line of credit totalling $800,000 with a Canadian chartered bank. As of March 31, 2005, interest charges on any overdraft accounts are at prime less .75%. There were no amounts owing on these lines at March 31, 2005 as the consolidated bank balance was positive. (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority). Subsequent to year-end, capital bank indebtedness was eliminated through the collection of receivables.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	Total 2005	Total 2004
Trade payables	$ 904,665	$ 22,067	$ 926,732	$ 1,345,514
Accrued liabilities	960,978	646,797	1,607,775	2,642,244
Vacation pay	1,014,780	---	1,014,780	1,221,111
Salary and benefits	3,819,391	---	3,819,391	2,786,878
Other	41,970	---	41,970	78,687
	$ 6,741,784	$ 668,864	$ 7,410,648	$ 8,074,434

8. DEFERRED CAPITAL GRANTS

	2005	2004
Balance, beginning of year	$ 67,822,157	$ 65,994,542
Grants received for:		
Capital assets purchased	2,757,028	5,618,339
Future capital asset purchases	1,570,559	---
	72,149,744	71,612,881
Amortization of deferred capital grants	(3,529,615)	(3,790,724)
Balance, end of year	$ 68,620,129	$ 67,822,157

9. COMMITMENTS

a) Leases and purchase commitments

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2006	$	719,758
2007		664,568
2008		611,728
2009		241,208
2010		154,858
	$	2,392,120

b) Yarmouth redevelopment project

The South West Nova District Health Authority has committed to a multi-year redevelopment project for the Yarmouth Regional Hospital. The original amount of the contract was $57.4 million. The project is expected to be completed within the next fiscal year.

10. PENSION PLAN

The South West Nova District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2003 and showed an unfunded liability for the entire plan of $Nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2003. At that time, there was an unfunded liability. The South West Nova District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2005 was $2,068,088 (2004 - $1,965,539).

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	Total 2005	Total 2004
Accounts receivable	$ (3,044,322)	$ 1,775,206	$ (1,269,116)	$ 2,087,515
Inventory.	(88,492)	---	(88,492)	(42,243)
Prepaid expenses.	(171,893)	5,547	(166,346)	(239,980)
Accounts payable and accrued liabilities	292,325	(956,111)	(663,786)	592,081
Revenue received in advance.	359,700	---	359,700	703,131
	$ (2,652,682)	$ 824,642	$ (1,828,040)	$ 3,100,504

12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the project benefit method pro-rated on servic

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for post retirement benefits was performed in December, 2003.

	March 31 2005	March 31 2004
Accrued benefit liability		
Accrued benefit obligation	$ 5,880,814	$ 5,598,493
Add unamortized actuarial experience gain	(451,429)	(587,429)
Accrued benefit liability on the statement of financial position	$ 5,429,385	$ 5,011,064
Net benefit costs recognized		
Current service costs	$ 318,400	$ 305,700
Amendment in plan terms	---	1,201,600
Interest costs	330,100	322,100
Current year amortized actuarial loss	49,800	4,783
Employee future benefits expense on the statement of operations	$ 698,300	$ 1,834,183
Payment of employee future benefits on the statement of cash flows	$ (279,979)	$ (300,692)

The significant actuarial assumptions adopted in estimating the District's accrued benefit obligation are as follows:

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2005 was 6.05% (2004 - 6.17%).

13. FINANCIAL INSTRUMENTS

Fair value
The reported values of financial instruments which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

Credit risk
The South West Nova District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2005.

14. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year financial statement presentation

AUDITORS' REPORT

To the Chairperson and Members
of the Southwest Regional School Board

We have audited the consolidated balance sheet of the Southwest Regional School Board as at July 31, 2004 and the consolidated statements of operations for the year then ended. These financial statements have been prepared to comply with the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These financial statements are the responsibility of the Board'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 Board as at July 31, 2004 and the results of its operations for the year then ended in accordance with accounting principles disclosed in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of members of the Board and Minister of Education of Nova Scotia for complying with legislative requirements. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

GRANT THORNTON LLP
Registered Municipal Auditors

Bridgewater, Nova Scotia
December 16, 2004

SOUTHWEST REGIONAL SCHOOL BOARD

Consolidated Balance Sheet
As at July 31, 2004

	July 31 2004	March 31 2004
FINANCIAL AND CAPITAL ASSETS		
Financial Assets		
Cash	$ 822,507	$ 1,557,647
Restricted Cash	200,510	220,536
Accounts Receivable		
Province of Nova Scotia	574,191	823,451
Government of Canada	262,030	245,995
Municipalities	---	---
Other (Note 2)	344,188	579,254
Receivable - Retirement Allowance (Note 6)	6,045,139	5,939,792
Advances	---	---
Inventory	470,939	470,939
Prepaid expenses	711,592	795,943
Other Investments	---	---
Total Financial Assets	9,431,096	10,633,557
Capital Assets		
Total of Capital Assets (Note 3)	88,552,673	87,842,978
Financial and Capital Assets	$ 97,983,769	$ 98,476,535
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Bank Indebtedness	$ ---	$ ---
Payables and Accruals - Trade	2,223,034	2,569,533
Payroll and Employee Deductions	154,676	1,168,257
Payables and Accruals - Government		
Province of Nova Scotia	---	170,172
Government of Canada	8,092	47,642
Municipalities	23,795	22,552
Other	---	1,195
Current portion of Long-term Debt	---	---
Deferred Revenue	83,723	210,872
Deferred Revenue - Capital	---	---
Retirement Obligations (Note 6)	6,045,139	5,939,792
Long-term debt	---	---
Total Liabilities	8,538,459	10,130,015
Retained Earnings		
Accumulated Amortization	---	---
Investment in Capital Assets	88,552,673	87,842,978
Unrestricted Retained Earnings	692,127	283,006
Reserves	200,510	220,536
Total Retained Earnings	89,445,310	88,346,520
Liabilities and Retained Earnings	$ 97,983,769	$ 98,476,535

Contingencies (Note 5)
Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Operating and Reserve Funds Balance Sheet
As at July 31, 2004

	July 31 2004	March 31 2004
FINANCIAL AND CAPITAL ASSETS		
Financial Assets		
Cash	$ 822,507	$ 1,557,647
Restricted Cash	200,510	220,536
Short-term Investments	---	---
Accounts Receivable		
Province of Nova Scotia	574,191	823,451
Government of Canada	262,030	245,995
Municipalities	---	---
Other (Note 2)	344,188	579,254
Receivable - Retirement Allowance (Note 6)	6,045,139	5,939,792
Advances	---	---
Inventory	470,939	470,939
Prepaid expenses	711,592	795,943
Other Investments	---	---
Total Financial Assets	9,431,096	10,633,557
Financial Assets	$ 9,431,096	$ 10,633,557
LIABILITIES AND RETAINED EARNINGS		
Liabilities		
Bank Indebtedness	$ ---	$ ---
Payables and Accruals - Trade	2,223,034	3,160,542
Payroll and Employee Deductions	154,676	577,248
Payables and Accruals - Government		
Province of Nova Scotia	---	170,172
Government of Canada	8,092	47,642
Municipalities	23,795	22,552
Other	---	1,195
Current portion of Long-term Debt	---	---
Deferred Revenue	83,723	210,872
Retirement Obligations (Note 6)	6,045,139	5,939,792
Long-term debt	---	---
Total Liabilities	8,538,459	10,130,015
Retained Earnings		
Unrestricted Retained Earnings	692,127	283,006
Reserves	200,510	220,536
Total Retained Earnings	892,637	503,542
Liabilities and Retained Earnings	$ 9,431,096	$ 10,633,557

Contingencies (Note 5)
Commitments (Note 6)

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Capital Fund Balance Sheet
July 31, 2004

	July 31 2004	March 31 2004
ASSETS		
Fixed Assets, at cost (Note 3)		
Land, buildings and improvements	$ 57,666,901	$ 57,666,901
Equipment and furnishings	17,920,260	17,920,260
School buses and other vehicles	12,965,512	12,255,817
	$ 88,552,673	$ 87,842,978
Total Capital Assets	$ 88,552,673	$ 87,842,978
Investment in capital assets	88,552,673	87,842,978
	$ 88,552,673	$ 87,842,978
	$ 88,552,673	$ 87,842,978

Accounting principles (Note 1)
Contingencies (Note 5)
Commitments (Note 6)

Statement of Continuity of Investment in Capital Assets
Four Months Ended July 31, 2004

	July 31 2004	March 31 2004
Balance, beginning of Four months	$ 87,842,978	$ 87,465,751
Capital purchases		
Land, building and improvements	---	---
Adjustment-Motor Vehicles, July 31, 2004	47,226	70,360
Motor Vehicles, July 31, 2004	23,276	85,180
	70,502	155,540
School bus and motor vehicle dispositions	(546,738)	(931,240)
School bus additions	1,185,931	1,152,927
	639,193	221,687
Balance, end of Four months	$ 88,552,673	$ 87,842,978

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Reserves
July 31, 2004

	Balance Beginning of Four months	Transfer to Operating Fund	Interest Revenue	Balance End of Four months
South Shore District School Board	$ 148,660	$ (20,979)	$ 633	$ 128,314
Tri County District School Board	71,876	---	320	72,196
	$ 220,536	$ (20,979)	$ 953	$ 200,510

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Four months Ended July 31, 2004

	Budget	July 31 2004 Actual	March 31 2004 Actual
Province of Nova Scotia			
Operating	$ 25,430,387	$ 25,430,400	$ 73,916,297
Restricted	2,680,750	2,682,929	6,188,194
Capital	---	87,173	889,490
Other	331,625	368,623	1,019,192
Recoveries	54,609	56,583	103,424
	$ 28,497,371	$ 28,625,708	$ 82,116,597
Government of Canada			
HRDC	$ ---	$ ---	$ 55,460
Other	219,449	227,960	687,396
First Nations	96,285	89,898	292,668
	$ 315,734	$ 317,858	$ 1,035,524
Appropriations from Councils	$ 6,632,476	$ 6,632,476	$ 19,170,836
	$ 6,632,476	$ 6,632,476	$ 19,170,836
Board Operations			
Board Generated Revenue - Other Revenue	$ 221,497	$ 323,085	$ 1,005,251
Interest/Investment	40,000	25,308	122,218
Sale of Assets	---	---	17,370
Non-Government Grants	---	3,104	4,028
	$ 261,497	$ 351,497	$ 1,148,867
Transfer from Reserves/Surplus	$ ---	$ 270,979	$ 298,476
	$ ---	$ 270,979	$ 298,476
Total Revenue	$ 35,707,078	$ 36,198,518	$ 103,770,300

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Four months Ended July 31, 2004

	Budget	July 31 2004 Actual	March 31 2004 Actual
Board Governance			
Salaries	$ 81,544	$ 82,623	$ 226,625
Benefits	3,783	3,895	11,759
Travel	14,848	21,182	55,767
Supplies/Material.	14,064	12,942	31,757
Professional Development.	18,900	18,900	43,070
Elections	---	---	---
Total Board Governance	$ 133,139	$ 139,542	$ 368,978
Regional Management			
Salaries	$ 409,475	$ 401,289	$ 1,134,149
Benefits	68,597	327,691	219,865
Travel	34,476	34,111	105,807
Professional Services - Legal/Audit	45,000	38,929	112,840
Contracted Services	69,972	47,352	124,787
Repairs/Maintenance	13,015	12,217	48,653
Supplies/Materials	76,681	82,989	234,612
Utilities	6,598	7,867	18,581
Professional Development.	25,671	15,839	66,802
NSSBA Dues.	26,668	26,374	67,817
Bank/Interest Costs.	1,664	111	6,512
Insurance	48,712	46,080	148,227
Total Regional Management	$ 826,529	$ 1,040,849	$ 2,288,652
School Management & Support			
Salaries	$ 2,580,192	$ 2,522,698	$ 7,354,547
Benefits	187,781	193,003	432,039
Travel	48,173	51,102	117,363
Contracted Services	9,512	11,023	210,972
Repairs/Maintenance.	4,857	3,772	6,610
Supplies/Material.	215,231	266,229	690,340
Professional Development.	127,816	135,315	473,794
Total School Management & Support	$ 3,173,562	$ 3,183,142	$ 9,285,665
Instruction & School Services			
Salaries	$ 18,277,795	$ 18,380,724	$ 52,013,364
Benefits	1,414,310	1,413,157	3,306,438
Retirement allowances-board paid	---	---	---
Retirement allowances-current service	108,179	108,179	499,492
Travel	11,700	12,111	36,713
Contracted Services	109,036	100,845	339,355
Repairs/Maintenance.	---	---	---
Supplies/Materials.	635,918	636,023	1,980,187
Total Instruction & School Services	$ 20,556,938	$ 20,651,039	$ 58,175,549

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Four months Ended July 31, 2004

	Budget	July 31 2004 Actual	March 31 2004 Actual
Student Support			
Salaries . . . . . $	3,458,895 $	3,391,917 $	9,920,859
Benefits	340,177	325,882	908,543
Travel	20,802	21,864	71,881
Supplies/Materials	10,482	(8,837)	53,922
Professional Development.	8,412	9,408	31,797
Total Student Support . . . . . $	3,838,768 $	3,740,234 $	10,987,002
Adult & Community Education			
Salaries . . . . . $	130,265 $	149,156 $	420,201
Benefits	16,983	18,046	44,332
Travel	2,634	1,268	3,638
Contracted Services	1,350	1,711	7,420
Supplies/Materials.	8,070	4,414	12,448
Professional Development.	1,050	108	180
Total Adult Ed & Community Education . . . . . $	160,352 $	174,703 $	488,219
Property Services			
Salaries . . . . . $	1,550,727 $	1,522,574 $	4,543,060
Benefits	261,249	264,144	796,518
Travel	4,837	9,121	27,663
Contracted Services	121,403	151,188	689,812
Repairs/Maintenance	354,724	398,498	2,594,263
Vehicle Expenses	41,408	46,779	141,119
Supplies/Materials	149,723	157,264	306,584
Utilities	836,478	834,458	3,056,291
Professional Development.	5,667	3,688	5,190
Insurance	171,212	172,791	515,483
Recoveries	(117,542)	(127,878)	(396,689)
Total Property Services . . . . . $	3,379,886 $	3,432,627 $	12,279,294
Student Transportation			
Salaries . . . . . $	1,466,679 $	1,449,496 $	4,464,041
Benefits	277,826	262,026	809,511
Travel	59,509	70,780	170,786
Contracted Services	32,856	33,801	93,054
Repairs/Maintenance	35,608	27,406	119,501
Vehicle Maintenance	571,180	661,961	1,855,137
Conveyance	51,890	47,298	132,421
Supplies/Materials	54,430	34,962	132,284
Utilities	14,513	16,323	66,778
Professional Development.	6,500	11,961	23,843
Insurance	85,160	78,636	210,702
Total Student Transportation . . . . . $	2,656,151 $	2,694,650 $	8,078,058

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
Four months Ended July 31, 2004

	Budget	July 31 2004 Actual	March 31 2004 Actual
Other Programs			
Salaries	$ 166,323	$ 252,967	$ 768,910
Benefits	13,749	15,313	46,080
Travel	---	3,723	12,682
Contracted Services	---	---	---
Repairs/Maintenance	---	---	---
Supplies/Materials	71,925	138,841	571,211
Professional Development	---	---	400
Total Other Programs	$ 251,997	$ 410,844	$ 1,399,283
Interest Expense			
Interest - Service Awards - Teachers	$ 71,767	$ 71,767	$ 365,000
Total Interest Expense	$ 71,767	$ 71,767	$ 365,000
Total Expenditures	$ 35,049,089	$ 35,539,397	$ 103,715,900

See accompanying notes to the financial statements.

Notes to the Financial Statements
July 31, 2004

1. Significant accounting principles

The consolidated financial statements have been prepared using accounting principles of the School Board Financial Handbook as prescribed by the Ministerial Regulations of the Education Act of Nova Scotia. These principles are consistent with those used in prior years. The basis of accounting used in these consolidated financial statements materially differs from Canadian generally accepted accounting principles as described below.

(a) Accrual accounting
Revenues and expenditures are accounted for on the accrual basis of accounting, with the following exceptions:

(i) No provision has been made to record salaries and benefits accrued but unpaid at year end for teaching staff;
(ii) Vacation pay is recorded as a salary expense when it is paid;
(iii) Outstanding purchase orders for capital only at the balance sheet date are accrued and recorded as payables.

(b) Capital equipment and school buses
Fixed assets are recorded at cost. Assets received from the various boards as at January 1 1982, under the agreement creating the Southwest Regional School Board, are treated as additions to investments in fixed assets. Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing, however buses are recorded as capital assets but are not amortized. Vehicles purchased by the Board are capitalized and are not amortized.

(c) Inventories
Garage parts and tire inventories are recorded at cost. All other supplies and purchases are expensed.

(d) Trust funds
The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students.

(e) Basis of consolidation
The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

2. Receivables

	July 31 2004	March 31 2004
NSSRA - NSTU Sal Con Insurance (Note 5)	$ ---	$ 250,000
First Nations Band Councils	53	46,846
Other	344,135	282,408
	$ 344,188	$ 579,254

3. Capital Fund Assets

Prior to the formation of the Southwest Regional School Board, certain municipal units had joined to form District School Boards. Under various agreements, land and school buildings on hand remained assets of the appropriate municipal units but were under the operational control of the District School Boards until such time as the Board no longer required the assets for school purposes. At that time, control reverted back to the appropriate municipality. These agreements will now remain in force with the Southwest Regional School Board.

The Southwest Regional School Board has a vested interest in capital improvements to school buildings. Under the Education Act, should a municipal unit sell a building returned to it by the Board under the circumstances noted above, a portion of the proceeds will be payable to the Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds will similarly be payable to the Board. In 2003, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds for recording capital assets. Only those assets meeting the thresholds were recorded as additions in 2003. These thresholds are as follows: buildings - $250,000; leasehold improvements - $250,000; computer hardware - $25,000; motor vehicles - $15,000 and major equipment - $50,000.

In 2004, after consultations with the Department of Education and the Department of Finance, the Board was instructed not to adopt the Tangible Capital Assets Accounting Policy for Department of Education funded capital projects; therefore, 2003 figures have been restated. See note 7 to the financial statements for the effect of this change.

4. Pension plans

The Board makes payments into the following defined benefit pension plans for non-teaching staff:

Southwest Regional School Board-Support Staff
Southwest Regional School Board-Support - CUPE Staff
Town of Yarmouth pension plans
NSSBA Pension Plan - Queens, Shelburne, and Digby

Recent actuarial reports have not been prepared for these various plans and therefore no balances have been reflected in these financial statements. The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers Pension Act.

5. Contingencies

Receivable

Included in receivables was $250,000 due from the Trustees of the Teachers Long-Term Liability plan as of March 31, 2004. This has been outstanding for a number of years and the Board has determined there is no likelihood of settlement as of July 31, 2004. The write-off is consistent with other School Boards in the Province.

Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

6. Commitments

Service awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Digby District	- $80 per year of service
Queens District	- 0.45 of one percent of a TC5 - MAX per year of service
Shelburne District	- $90 per year of service
Yarmouth District	- 0.75 of one percent of annual salary per year of service
Lunenburg District	- $200 per year of service - Maximum $7,000
Clare/Argyle District	- 0.60 of one percent of annual salary per year of service

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and Southwest Regional School Board the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers.

Continuity of Retirement Allowance Liability	**July 31 2004**	**March 31 2004**
Actuarial liability, beginning of year	$ 6,620,000	$ 6,041,000
Beginning unamortized gain/(loss), liability	(680,208)	(293,000)
Beginning balance per financial statements	$ 5,939,792	$ 5,748,000
Current service cost (Retiring allowance expense)	$ 88,967	$ 478,000
Amortization of experience gains/losses.	19,213	21,692
Retiring allowance expense.	$ 108,180	$ 499,692
Estimated benefits paid.	$ (74,600)	$ (672,900)
Interest expense - Service Awards - Teachers.	71,767	365,000
Ending balance per Balance Sheet	$ 6,045,139	$ 5,939,792
Reconciliation to actuarial report:		
Per actuaries	$ 3,554,133	$ 6,620,000
Unamortized gain/(loss).	2,491,006	(680,208)
	$ 6,045,139	$ 5,939,792

P-3 Operating Expenses

Forest Ridge Academy, Bayview Community School and Aspotogan Consolidated Elementary School were opened for the 2000/01 school year. Meadowfields Community School had been opened in the 1999/2000 school year. All payments for the P3 leases are made by the Province to the private partner and contain both capital and operating component.

Energy Management Contract

The Southwest Regional School Board has entered into an energy management contract with Nova Scotia Power Services Limited. The School Board is required to pay $5,848 per month until the contract expires July 2005.

7. Board Restructuring

Effective July 31, 2004, the Southwest Regional School Board was dissolved and the South Shore Regional School Board and Tri-County Regional School Board were established. The employee, assets and liabilities of the Southwest Regional School Board as of July 31, 2004 are allocated between the South Shore Regional School Board and the Tri-County Regional School Board.

The South Shore Regional School Board and the Tri-County Regional School Board shall share the services of finance, human resources and information technology through a shared service agreement.

SOUTHWEST REGIONAL SCHOOL BOARD

Trust Funds Balance Sheet
July 31, 2004

	July 31 2004	March 31 2004
Assets		
Cash	$ 565,058	$ 492,543
Equity		
Estate of Marjorie E. Jones	$ 16,008	$ 15,921
Digby Community Theatre	2,060	4,266
Shelburne High-new school	129,263	72,306
Reserve for scholarships		
Teachers' Scholastic Scholarship	7,268	5,272
Forbes Mountain Scholarship	345	343
Josephine Christie Fredea Award	1,420	1,487
South Shore District Memorial Scholarship	4,124	4,101
Murray Barkhouse Scholarship Fund	4,060	3,821
Robert Hirtle Memorial Fund	225	1,119
Dr. K.C. Ghandi Marfatia Scholarship Fund	11,662	11,598
W.G.L. Hirtle Scholarship	10,373	10,316
Elinor Muir Leary Scholarship	9,703	9,650
Irene and Derrell Ernst Scholarship	4,993	4,965
David Lowe Scholarship	7,706	7,663
Clara Quinlan Scholarship	5,247	5,218
Monte Oickle Scholarship	4,589	4,564
Paul Eisnor Memorial	463	560
Austin Nauss Scholarship	755	1,049
Rodney Veinot Memorial	2,148	2,136
Timothy Daniels Memorial	4,359	4,235
Sylvia Weagle Bursary	28,483	28,327
Dr. J.C. Wickwire	2,271	2,259
Augusta Nickerson	14,065	13,988
J. Pask Memorial	134	133
Maragaret Ernst MacLeod	3,943	3,921
Elsie Hemeon Fund	541	538
Stay-in-School Bursary	5,014	---
F. Dakin and P. Dakin Dickson	45,294	45,046
Dr. Charles and Mary Webster	31,965	31,789
Erma Westhaver Loomis	36,532	36,332
Yarmouth District Scholarship Society		
Unassigned	3,770	3,750
Samuel Margolian Trust - Yarmouth High	5,013	4,985
Samuel Margolian Trust - St. Ambrose	5,013	4,985
Churchill Trust	794	789
Loraleis Trust	1,604	1,595
Blackader - Kirk Trust	2,001	1,990
Olson	2,944	2,928
Andrew Maxwell	2,927	2,911
Atlantic Philanthropy	6,605	133
John S. Derrick	10,255	9,883
Faith Guay	4,974	2,380
Colleen Finck Memorial	123,971	123,291
Pension Deficiency Fund		
CUPE Pension Fund	174	---
	$ 565,058	$ 492,543

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds
For the Four months Ended July 31, 2004

	Balance Beginning of Four months	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Four months
Estate of Marjorie E. Jones	$ 15,921	$ ---	$ 87	$ ---	$ 16,008
Digby Community Theatre Fund	4,266	---	17	(2,223)	2,060
Shelburne High-new school	72,306	56,534	423	---	129,263
Teachers Scholastic	5,272	1,963	33	---	7,268
Forbes Mountain	343	---	2	---	345
J.C. Fredea Award	1,487	---	8	(75)	1,420
South Shore District Memorial	4,101	---	23	---	4,124
M. Barkhouse Scholarship Fund	3,821	217	22	---	4,060
Robert Hirtle Memorial Fund	1,119	100	6	(1,000)	225
Dr. K.C. Marfatia Ghandi	11,598	---	64	---	11,662
W.G.L.Hirtle	10,316	---	57	---	10,373
Elinor Muir Leary	9,650	---	53	---	9,703
Irene/Derrell Ernst	4,965	---	28	---	4,993
David Lowe	7,663	---	43	---	7,706
Clara Quinlan	5,218	---	29	---	5,247
Monte Oickle	4,564	---	25	---	4,589
Paul Eisnor	560	---	3	(100)	463
Austin Nauss	1,049	---	6	(300)	755
Rodney Veinot	2,136	---	12	---	2,148
Timothy Daniels	4,235	100	24	---	4,359
S Weagle Bursary	28,327	---	156	---	28,483
Dr J.C. Wickwire	2,259	---	12	---	2,271
Balance forward	$ 201,176	$ 58,914	$ 1,133	$ (3,698)	$ 257,525

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds (Continued)
For the Four months Ended July 31, 2004

	Balance Beginning of Four months	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Four months
Balance carried forward	$ 201,176	$ 58,914	$ 1,133	$ (3,698)	$ 257,525
Augusta Nickerson	13,988	---	77	---	14,065
J. Pask Memorial	133	---	1	---	134
M. Ernst MacLeod	3,921	---	22	---	3,943
Elsie Hemeon	538	---	3	---	541
Colleen Finck Memorial - Acadia	---	5,000	14	---	5,014
F. Dakin/P. Dakin Dickson	45,046	---	248	---	45,294
Dr. Charles/Mary Webster	31,789	---	176	---	31,965
Erma Westhaver Loomis	36,332	---	200	---	36,532
Yarmouth Dist Scholarship Society					
Unassigned	3,750	---	20	---	3,770
S. Margolian Trust - Yarmouth High	4,985	---	28	---	5,013
S. Margolian Trust - St. Ambrose	4,985	---	28	---	5,013
Churchill Trust	789	---	5	---	794
Loraleis Trust	1,595	---	9	---	1,604
Blackader - Kirk Trust	1,990	---	11	---	2,001
Olson Trust	2,928	---	16	---	2,944
Andrew Maxwell	2,911	---	16	---	2,927
Atlantic Philanthrophy	133	6,437	35	---	6,605
John S. Derrick	9,883	317	55	---	10,255
Faith Guay	2,380	2,568	26	---	4,974
Colleen Finck Memorial	123,291	---	680	---	123,971
	$ 492,543	$ 73,236	$ 2,803	$ (3,698)	$ 564,884
Pension Deficiency Fund:					
CUPE Pension Fund	---	---	174	---	174
	$ 492,543	$ 73,236	$ 2,977	$ (3,698)	$ 565,058

See accompanying notes to the financial statements.

AUDITOR'S REPORT

To the Chairman and Members of the Board of
The Strait Regional School Board

We have audited the statements of financial position of the Strait Regional School Board as at March 31, 2005, and the related statements of operations and accumulated deficit, change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with all school boards in Nova Scotia, the School Board derives revenue from school generated funds, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the schools in which these funds were held and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, current assets and net assets. The opening balances contained within the Schedule of Supplementary Details of Trust Funds for School Generated Funds have not been audited by us.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005, and the results of its operations changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Port Hawkesbury, Nova Scotia
May 20, 2005

STRAIT REGIONAL SCHOOL BOARD

Statement of Financial Position
March 31, 2005

ASSETS

		2005		2004
Financial Assets				
Cash and cash equivalents	$	1,419,447	$	1,721,038
Receivables				
Province of Nova Scotia		7,140,293		6,231,052
Municipal councils		263,173		17,253
Government of Canada		359,223		107,948
Other		779,397		1,181,141
Total financial assets		9,961,533		9,258,432

LIABILITIES

		2005		2004
Liabilities				
Payables and accruals - trade		4,247,924		3,298,274
Payables and accruals - government				
Province of Nova Scotia		58,282		227,545
Municipalities		6,026		17,520
Deferred Revenues		367,623		248,769
Retirement service awards (Note 4)		4,438,391		4,465,816
Total liabilities		9,118,246		8,257,924
Net assets		843,287		1,000,508
Non-financial assets				
Capital assets (net of depreciation)				
School buildings and improvements		2,376,410		2,501,484
Motor vehicles		77,463		65,811
Equipment and furnishings		382,936		478,670
		2,836,809		3,045,965
Prepaids		665,953		648,271
		3,502,762		3,694,236
Accumulated surplus (Note 10)	$	4,346,049	$	4,694,744

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Statement of Operations
Year Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Revenue			
Province of Nova Scotia	$ 53,115,829	$ 56,857,370	$ 52,027,765
Government of Canada	131,050	146,548	128,377
Local First Nations	1,112,006	1,079,492	1,134,699
Municipal contributions	9,716,600	9,716,601	10,589,342
Other revenues	2,755,040	3,574,968	3,131,010
	66,830,525	71,374,979	67,011,193
Expenditure			
Board governance	262,567	304,971	253,941
Regional management	2,172,252	2,198,192	2,031,651
School management and support	6,186,775	5,915,179	6,017,693
Instructional and school services	35,516,113	35,357,311	35,101,518
Student support	7,513,849	7,817,908	6,927,714
Property services	8,921,623	12,644,333	8,891,751
Student transportation	6,165,346	6,051,001	5,917,389
Other programs	92,000	834,060	656,573
Interest expense	---	338,200	273,000
Amortization expense	---	262,519	286,761
	66,830,525	71,723,674	66,357,991
School Board annual (deficit) surplus	$ ---	$ (348,695)	$ 653,202

Accumulated surplus (Note 10)

	2005	2004
Balance, beginning of year		
As previously reported	$ 29,447,905	$ 32,978,261
Accounting changes (Note 9)	(24,753,161)	(28,936,719)
As restated	4,694,744	4,041,542
School Board annual (deficit) surplus	(348,695)	653,202
Balance, end of year	$ 4,346,049	$ 4,694,744

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Statement of Change in Net Assets
March 31, 2005

	2005 Actual	2004 Actual
Net assets, beginning of year	$ 1,000,508	$ 210,349
Changes in the year		
Annual (deficit) surplus	(348,695)	653,202
Acquisition of tangible capital assets	(53,363)	(46,468)
Amortization of tangible capital assets	262,519	286,761
Increase in prepaids	(17,682)	(103,336)
(Decrease) increase in net assets	(157,221)	790,159
Net assets, end of year	$ 843,287	$ 1,000,508

Statement of Cash Flow
March 31, 2005

	2005	2004
Operating transactions		
Annual (deficit) surplus	$ (348,695)	$ 653,202
Non cash items included in annual surplus		
Amortization	262,519	286,761
(Increase) decrease in receivables	(939,103)	513,274
Increase in payables	703,304	229,364
Increase (decrease) in retirement service awards	(27,425)	104,696
Increase in prepaids	(17,682)	(103,336)
Increase (decrease) in deferred revenue	118,854	(84,787)
Cash provided by operating transactions	(248,228)	1,599,174
Capital transactions		
Acquisition of tangible capital assets	$ (53,363)	$ (46,468)
Cash applied to capital transactions	(53,363)	(46,468)
(Decrease) increase in cash and cash equivalents	(301,591)	1,552,706
Cash and cash equivalents, beginning of year	1,721,038	168,332
Cash and cash equivalents, end of year	$ 1,419,447	$ 1,721,038

See accompanying notes to the consolidated financial statements.

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond and Antigonish counties.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

(a) Accrual basis of accounting

Revenues are recorded on the accrual basis of accounting. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada, and Municipal Contributions.

Expenses are recorded on the accrual basis of accounting and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

(b) Financial assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principal amount less valuation allowances.

(c) Net Assets

Net assets represents the direct liabilities of the Board less financial assets.

(d) Non Financial assets

Tangible capital assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tamgible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures.

Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	$	250,000
Leasehold improvements	$	250,000
Computer hardware	$	25,000
Motor vehicles	$	15,000
Major equipment	$	50,000

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time, as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

(e) Accumulated surplus

Accumulatd surplus represents the liabililties of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

(f) Reserves and reserve funds

Reserves and reserve funds represent funds appropriated for general and specific purposes. Reserves are charged or credited to the reserve fund as a part of the accumulated surplus and are not reported on the statement of operations in the year appropriated or drawn.

(g) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students. In addition to these scholarships, individual schools and their students raise funds for various specific activities or projects. These funds can only be used for these designated activities and are thus shown as trust funds. Trust fund assets administered by the School Board are identified in Schedule C.

Capital assets

Capital assets are depreciated using the declining balance method at the following rates:

Buildings	5%
Equipment	20%
Motor vehicles	35%

Financial instruments

The Strait Regional School Board's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the School Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values.

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Reserves

The Board has provided for reserves at year end of the following purposes and these amounts are included in the reserve fund as at March 31, 2005:

Maintenance and equipment	$	495,000
Program enhancements		432,847
	$	927,847

4. Retirement service awards

Many Board employees are entitled to receive services awards of varying amounts depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

5. Pension plans

Teachers

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

6. Bank indebtedness

The Board has an operating line of credit of $600,000.

7. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 Schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

8. Comparative figures

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

9. Accounting changes

In adopting the new School Board Financial Handbook, the School Board has removed (written off) from the accounting records tangible assets previously included on the financial statements as sufficient historical costing information is not available. This change in accounting has decreased the school board's opening accumulated surplus by $25,435,973 in 2005 (2004 - $28,936,719).

The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching staff. This accounting change has been applied retroactively and has no effect of the school board's annual surplus nor its accumulated surplus as at March 31, 2005. A receivable from the Province of Nova Scotia has been accrued by the School Board equivalent to that amount of salaries and benefits accrued as a liability.

Vacation pay for 12-month employees has been accrued as at March 31, 2005, and is recorded as salary expense. This change has not been applied retroactively and has no effect on the annual surplus nor the accumulated surplus as at March 31, 2005. A receivable from the Province of Nova Scotia has also been accrued by the School Board equivalent to that amount of vacation pay accrued.

In 2004, the School Board provided for reserves totalling $682,812. According to the new School Board Financial Handbook, information on such reserves is done only in the notes and schedules and not on the statement of financial position. The creation of or deduction from funds and reserves does not create a revenue or an expense, and should not be reported on the statement of operations. This accounting change, therefore, has been applied retroactively and has increased the School Board's opening accumulated surplus by $682,812 and decreased the School Board's annual surplus by $649,965 in 2005, and increased the annual surplus by $682,812 in 2004.

10. Accumulated surplus

	2005	2004
Operating Fund	$ 581,393	$ 965,967
Reserve Fund	927,847	682,812
Capital Fund	2,836,809	3,045,965
	$ 4,346,049	$ 4,694,744
Operating Fund		
Balance, beginning of year	$ 965,967	$ 755,284
School Board annual (deficit) surplus	(348,695)	653,202
	617,272	1,408,486
Transfer from reserve fund	649,965	---
Transfer to reserve fund	(895,000)	(682,812)
Transfer from capital fund	262,519	286,761
Transfer to capital fund	(53,363)	(46,468)
Balance, end of year	$ 581,393	$ 965,967
Reserve Fund		
Balance, beginning of year	$ 682,812	$ ---
Transfer to operating fund	(649,965)	---
Transfer from operating fund	895,000	682,812
Balance, end of year	$ 927,847	$ 682,812
Capital Fund		
Balance, beginning of year	$ 3,045,965	$ 3,286,258
Transfer to operating fund	(262,519)	(286,761)
Transfer from operating fund	53,363	46,468
Balance, end of year	$ 2,836,809	$ 3,045,965

STRAIT REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenue
Year Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Revenue			
Province of Nova Scotia			
Operating	$ 48,392,000	$ 48,121,882	$ 46,672,062
Accrued wages and vacation	---	433,188	---
Restricted	4,445,000	4,703,075	4,434,591
Capital	122,900	2,903,318	190,000
Special programs and projects	155,929	695,907	731,112
	$ 53,115,829	$ 56,857,370	$ 52,027,765
Government of Canada			
Secretary of State	$ 131,050	$ 146,548	$ 128,377
Board operations			
Board generated - other	$ 5,000	$ 5,152	$ 537
Other revenue - schools	137,000	944,929	475,652
Rentals	70,144	76,630	84,145
Investment income	95,000	100,361	122,780
Recoveries - non-governmental	2,447,896	2,447,896	2,447,896
	$ 2,755,040	$ 3,574,968	$ 3,131,010

See acompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditure
Year Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Board Governance			
Board members	$ 171,450	$ 180,346	$ 163,438
Board secretary	32,980	33,426	32,714
Elections	---	33,062	---
NSSBA and other	58,137	58,137	57,789
	$ 262,567	$ 304,971	$ 253,941
Regional Management			
Management services	$ 827,507	$ 818,865	$ 795,390
Vacation accrual	---	129,353	---
Financial services	741,240	726,439	713,629
Human resource services	531,164	452,495	452,870
Communication services	72,341	71,040	69,762
	$ 2,172,252	$ 2,198,192	$ 2,031,651
School Management and Support			
School management	$ 4,541,706	$ 4,269,319	$ 4,474,277
Vacation accrual	---	3,550	---
Program and curriculum support	1,077,256	1,110,447	1,043,177
ITS - site specific	567,813	531,863	500,239
	$ 6,186,775	$ 5,915,179	$ 6,017,693
Instructional and School Services			
Instruction	$ 33,801,642	$ 33,576,380	$ 33,285,160
Guidance services	895,200	989,329	983,276
Library services	819,271	791,602	833,082
	$ 35,516,113	$ 35,357,311	$ 35,101,518
Student Support			
Program management	$ 274,697	$ 285,641	$ 274,145
Instruction	6,575,448	6,900,892	5,971,411
Program and curriculum support	663,704	631,375	682,158
	$ 7,513,849	$ 7,817,908	$ 6,927,714
Property Services			
Management services	$ 211,633	$ 237,301	$ 150,558
Custodial services	3,537,359	3,559,676	3,531,297
Vacation accrual	---	160,367	---
Maintenance services	4,922,631	8,467,036	4,919,646
Grounds services	250,000	219,953	290,250
	$ 8,921,623	$ 12,644,333	$ 8,891,751
Student transportation			
Management services	$ 374,802	$ 380,092	$ 383,993
Transportation (Board)	4,230,981	4,144,821	4,145,084
Vacation accrual	---	90,917	---
Maintenance (Board)	1,388,563	1,291,105	1,277,574
Transportation (Contract)	110,000	86,908	99,290
Site maintenance	61,000	57,158	11,448
	$ 6,165,346	$ 6,051,001	$ 5,917,389

See acompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Trust Funds
March 31, 2005

Trust fund - Scholarships

	Equity 2004	Donations & Income	Awards	Equity 2005
Catherine Avery Bursary	$ 1,886	$ 73	$ ---	$ 1,959
Allistair Fraser Award	8,470	326	1,000	7,796
Ray Caldwell Scholarship	5,383	208	300	5,291
Dorothy Jost Drysdale Scholarship.	2,294	88	100	2,282
Roy Fanning-Hillside Bursary.	11,823	456	1,400	10,879
Norman Grant Scholarship . . .	20,878	805	1,200	20,483
Carol Long Scholarship.	10,369	400	250	10,519
NSP Employees Scholarship. .	18,644	719	700	18,663
James Russell Scholarship. . . .	2,544	98	---	2,642
Mulgrave Bursary Fund.	1,902	73	---	1,975
Bertha Morgan Scholarship. . .	1,115	43	---	1,158
Henry Marshall Tory Prize. . .	60,333	19,326	2,000	77,659
James Tory Prize	1,000	39	1,000	39
Paul Hendsbee Memorial.	907	35	250	692
Donald Archibald Memorial. . .	1,098	42	---	1,140
Neil & Eileen MacIsaac Bursary.	2,516	117	125	2,508
Thomas Williams Prize.	5,157	133	230	5,060
Tina Munro Hickey Prize. . . .	10,010	556	550	10,016
Jesse Sceles Memorial.	2,211	85	---	2,296
	$ 168,540	$ 23,622	$ 9,105	$ 183,057

STRAIT REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Trust Funds
March 31, 2005

Trust fund - School Generated Funds

	Equity September 1, 2004	Additions & Interest	Disburse-ments	Equity March 31, 2005
Antigonish Education Centre. .	$ 71,034	$ 40,015	$ 24,720	$ 86,329
Bayview Education Centre . . .	11,600	22,010	17,941	15,669
Canso Academy	17,568	29,336	20,900	26,004
Cape Breton Highlands Academy/Education Centre.	34,231	77,168	78,348	33,051
Chedabucto Place	30,362	56,140	61,470	25,032
Dalbrae Academy.	36,429	65,071	51,126	50,374
Dr. J.H. Gillis Regional.	6,208	187,848	152,185	41,871
East Antigonish Academy/ Education Centre.	23,239	90,254	70,367	43,126
East Richmond Education Centre (P-4).	6,037	8,799	8,681	6,155
East Richmond Education Centre (5-8).	26,213	50,012	35,626	40,599
Fanning Education Centre. . . .	4,948	16,648	9,543	12,053
Felix Marchand Education Centre.	1,984	20,291	18,768	3,507
H.M. MacDonald Elementary School	2,261	11,232	12,409	1,084
Inverness Academy.	25,534	55,100	44,198	36,436
Inverness Education Centre . . .	9,151	24,543	20,537	13,157
Mulgrave Memorial Education Centre.	6,442	9,253	10,634	5,061
Rev. H.J. MacDonald Elementary School.	7,635	19,156	18,843	7,948
Richmond Academy	21,102	107,226	102,915	25,413
Riverview Consolidated.	2,496	2,520	3,009	2,007
SAERC.	36,919	84,992	91,430	30,481
St. Andrew's Consolidated School	7,656	18,762	15,635	10,783
St. Andrew Junior High.	55,800	65,909	33,735	87,974
St. Mary's Academy.	20,831	14,492	22,590	12,733
St. Mary's Education Centre. .	3,656	14,814	14,329	4,141
Tamarac Education Centre. . . .	29,269	59,349	53,090	35,528
West Richmond Education Centre.	6,600	42,584	37,719	11,465
Whycocomagh Education Centre.	6,962	18,983	17,351	8,594
	$ 512,167	$ 1,212,507	$ 1,048,099	$ 676,575

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

Schedule D - Supplementary Details of Capital Assets
March 31, 2005

	Buildings	Equipment	Vehicles	2005	2004
Cost					
Opening	$ 3,141,287	$ 1,291,709	$ 189,922	$ 4,622,918	$ 4,576,450
Additions	---	---	53,363	53,363	46,468
Closing	3,141,287	1,291,709	243,285	4,676,281	4,622,918
Accumulated Depreciation					
Opening	639,803	813,039	124,111	1,576,953	1,290,192
Depreciation	125,074	95,734	41,711	262,519	286,761
Closing	764,877	908,773	165,822	1,839,472	1,576,953
Net Book Value	2,376,410	382,936	77,463	2,836,809	3,045,965
Opening Balance	2,501,485	478,669	65,811	3,045,965	3,286,258
Increase (Decrease) In Net Book Value	$ (125,075)	$ (95,733)	$ 11,652	$ (209,156)	$ (240,293)

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

We have audited the balance sheet of Sydney Environmental Resources Limited for the year ended March 31, 2005 and the statement of revenue and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the Company'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 Company as at March 31, 2005, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles except as disclosed in Note 3.

Nash & Associates
Chartered Accountant

June 28, 2005

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Balance Sheet
as at March 31, 2005

ASSETS

	2005	2004
Current		
Cash	$ 402,495	$ ---
Accounts receivable (Note 4)	216,217	267,466
	$ 618,712	$ 267,466

LIABILITIES

	2005	2004
Current		
Bank indebtedness	$ ---	$ 52,677
Accounts payable and accrued liabilities	47,103	214,788
Due to Sydney Steel Corporation (Note 6)	558,718	---
	605,821	267,465

EQUITY

	2005	2004
Share capital (Note 8)	1	1
Retained earnings	12,890	---
	12,891	1
	$ 618,712	$ 267,466

Commitments (Note 7)

Statement of Revenue and Expenditures
Year Ended March 31, 2005

	2005	2004
Revenue		
Province of Nova Scotia		
Operations	$ ---	$ 1,168,814
Site security and other community costs	---	478,253
Sydney Steel site decommissioning	3,179,228	2,860,786
	3,179,228	4,507,853
Expenditures		
Administration	39,623	---
Operations (Schedule 1)	---	1,168,814
Site security and other community costs		
Wages and benefits	---	301,165
Supplies and services	---	177,088
Sydney Steel site decommissioning		
Wages and benefits	3,126,715	2,431,656
Supplies and services	---	429,130
	3,166,338	4,507,853
Excess revenue over expenditures and retained earnings, end of year	$ 12,890	$ ---

SYDNEY ENVIRONMENT RESOURCES LIMITED

Statement of Cash Flow
Year Ended March 31, 2005

	2005	2004
Cash flows from operating activities		
Excess of revenue over expenditures	$ 12,890	$ ---
Changes in non-cash operating working capital items		
Accounts receivable	51,249	(77,784)
Accounts payable and accrued liabilities	(167,685)	(205,955)
Due to Sydney Steel Corporation	558,718	---
Change in cash position	455,172	(283,739)
Cash (bank indebtedness), beginning of year	(52,677)	231,062
Cash (bank indebtedness), end of year	$ 402,495	$ (52,677)

Notes to the Financial Statements
Year Ended March 31, 2005

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean-Up Inc. to Sydney Environmental Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon providing additional site decommissioning services to entities related to the Province of Nova Scotia.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below.

a) Financing

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extent of operating expenditures. Any excess appropriations are accounted for as deferred operating grants.

b) Capital Assets

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. ACCOUNTS RECEIVABLE

	2005	2004
Sydney Steel site decommissioning	$ 214,719	$ 167,641
HST receivable	---	28,719
Province of Nova Scotia	---	21,121
Other	1,498	49,985
	$ 216,217	$ 267,466

5. PROVINCE OF NOVA SCOTIA FUNDING

The Company received the following amounts from the Province of Nova Scotia:

	2005	2004
Current operating grant	$ ---	$ 1,168,814
Site security and other community costs	---	478,253
	$ ---	$ 1,647,067

As at March 31, 2004 there was a net receivable from the Province of Nova Scotia for expenditures in excess of funding received of $21,121.

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions in Note 5 above, the Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

Included in the statement of revenue and expenditures is revenue earned in the amount of $2,505,387 (2004 - $2,583,860) and administration expenses paid in the amount of $39,623 (2004 - $ Nil) to Sydney Steel Corporation, a Crown Corporation controlled by the Province of Nova Scotia. These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair market value.

7. COMMITMENTS

Operations
The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

8. SHARE CAPITAL

Authorized
50,000 common shares with no par value

Issued

1 Share at $1	$ 1

9. ECONOMIC DEPENDENCE

The company earned 100% of its revenue from Province of Nova Scotia funded entities.

10. ECONOMIC DEPENDENCE

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Schedule 1

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Operating Expenditures
Year Ended March 31, 2005

	2005	2004
Operating expenditures		
Directors' fees	$ ---	$ 11,325
Health, safety and environmental	---	104,637
Incineration plant operation and maintenance	---	14,200
Incineration plant overhead	---	187,080
Office	---	29,834
Professional fees	---	27,426
Public information	---	36,930
Rent	---	30,000
Salaries and benefits	---	675,944
Technical services	---	29,924
Telephone	---	10,845
Travel	---	10,669
	$ ---	$ 1,168,814

AUDITORS' REPORT

To the Shareholder of
Sydney Steel Corporation

We have audited the balance sheet of Sydney Steel Corporation ("the Corporation") as at March 31, 2005 and the statement of changes in net assets in liquidation 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, 2005 and the changes in net assets in liquidation for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

May 20, 2005

SYDNEY STEEL CORPORATION

Balance Sheet
As at March 31, 2005

		2005		2004
ASSETS				
		(in thousands)		
Current assets:				
Cash	$	11,042	$	8,970
Accounts receivable - trade		506		569
Receivable from Province of Nova Scotia		34,340		34,871
Receivable from Sydney Environmental Resources Limited (note 6)		559		147
Inventory		822		16
Prepaid Expenses		175		277
		47,444		44,850
Property, plant and equipment (note4)		727		712
	$	48,171	$	45,562
LIABILITIES				
Current liabilities				
Trade payables	$	1,598	$	1,639
Deposits and holdbacks payable		2,765		2,246
Property taxes payable		1,136		485
		5,499		4,370
Net assets in liquidation	$	42,672	$	41,192

Commitments (note 5)

Contingent liability (note 7)

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Statement of Changes in Net Assets in Liquidation
for the year ended March 31, 2005

	Closure activities	Demolition and remediation activities	Continuing activities	Total 2005	Total 2004
			(in thousands)		
Increases in net assets in liquidation					
Contributions from Province of Nova Scotia (note 3)	$ 929	$ 13,541	$ ---	$ 14,470	$ 12,209
Proceeds on disposal of assets	1,014	499	---	1,513	3,229
Sale of scrap steel	---	---	---	---	3,131
Other income	---	---	463	463	596
Interest	---	---	111	111	226
	1,943	14,040	574	16,557	19,391
Decreases in net assets in liquidation					
Demolition and remediation	---	8,902	282	9,184	7,039
General and administration	315	1,379	113	1,807	2,526
Salaries and wages	147	1,249	74	1,470	1,179
Property taxes	111	943	55	1,109	1,041
Professional fees	315	718	63	1,096	1,346
Electricity	41	350	20	411	552
Scrap Processing	---	---	---	---	1,651
	929	13,541	607	15,077	15,334
Increase (decrease) in net assets in liquidation	$ 1,014	$ 499	$ (33)	1,480	4,057
Net assets in liquidation - Beginning of year				41,192	37,135
Net assets in liquidation - End of year				$ 42,672	$ 41,192

SYDNEY STEEL CORPORATION

Notes to Financial Statements
for the year ended March 31, 2005

1. Status

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by the special act of the Province of Nova Scotia.

2. Significant accounting policies

a) Basis of presentation:

Effective December 31, 2000, the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

The non-cash assets at March 31, 2005 are valued at the lower of cost and net realizable value.

c) Mode and presentation of operations

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate, namely:

- closure activities;
- demolition and remediation activities; and
- continuing activities.

A brief description of each activity follows:

i) Closure activities

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

ii) Demolition and remediation activities

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

iii) Continuing activities

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities. As at March 31, 2005, they consist principally of the investment management function and those activities arising from redevelopment strategies adopted by the Corporation concerning the property's future use.

d) Property, plant and equipment

Property, plant and equipment are amortized using the straight - line method at the following rates:

Equipment	10 years
Vehicles	5 years

e) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

f) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The allocation of increases and decreases in net assets in liquidation between "Closure activities" "Demolition and remediation activities" and "Continuing activities" represents management's best estimate of these amounts. In arriving at this estimate, management first allocated revenues and costs for which the appropriate allocation is readily determinable. Management then assessed the overall level of activities during the period and allocated the remainder of the costs on this basis.

g) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in U.S. dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquation for the period. Included in continuing activities in the current period is a foreign exchange loss of $27,000 (2004 - $1,065,000).

3. Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia has:

- provided cash infusions as required by the Corporation to meet its operating obligations;
- agreed to assume responsibility for Sydney Steel Corporation site environmental matters; and
- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support and has established in its accounts provisions for the closure activities and demolition and remediation activities. Expenses incurred during the period related to these provisions and for which the Corporation will receive reimbursement from the Province include:

- $929,000 (2004 -$668,000) in respect of closure activities; and
- $13,541,000 (2004 - $11,541,000) in respect of demolition and remediation activities.

4. Property, plant and equipment

	2005			2004
	Cost	Accumulated Amortization	Net book Value	Net book Value
		(In thousands)		
Related to closure activities				
Land, buildings and equipment	$ 441,298	$ 441,297	$ 1	$ 1
Related to demolition and remediation activities				
Equipment	787	181	606	623
Vehicles	166	46	120	88
Total.	$ 442,251	$ 441,524	$ 727	$ 712

Amortization for the period of $98,000 (2004 - $86,000) is included in demolition and remediation costs.

5. Commitment

a) In fiscal 2001, the Corporation engaged a demolition firm to remove structures and buildings on the property. The value of the contract was estimated at $7,700,000 and is substantially complete at March 31, 2005. For the year ended March 31, 2005, the Corporation incurred expenditures of approximately $3,760,000 (2004 - $200,000) which are included in demolition and remediation costs.

b) Within the context of its redevelopment strategy the Corporation, effective April 15, 2002, reached an agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease is for a period of ten years.

c) In fiscal 2003, the Corporation signed an agreement to sell all the steel production equipment for $3,000,000 US. The equipment was to be removed by fiscal 2005, at the latest. In fiscal 2004, revenue of $3,400,000 was recorded in the financial statements.

6. Related party transactions

Included in the statement of changes in net assets in liquidation are charges for labour and materials of $2,506,000 (2004 - $2,555,000) from Sydney Environmental Resources Limited, a Crown Corporation controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

7. Contingent liability

The Corporation is a defendant in a lawsuit alleging damages as a result of environmental contamination caused by years of steel marking. This litigation is in its preliminary stages and the outcome is not currently predictable.

AUDITORS' REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2005 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules A and B are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

E. Roy Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 25, 2005

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency as at March 31, 2005

	2005	2004
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Marketable securities under administration (Note 3):		
Cash and short-term notes	$ 422,721	$ 628,877
Bonds and debentures	3,570,759	5,132,411
Equities	6,537,078	9,164,989
Investment transactions outstanding	102,054	---
Interest and dividends receivable	38,788	57,993
	10,671,400	14,984,270
Cash	838,627	363,999
Total assets	11,510,027	15,348,269
Liabilities		
Investment transactions outstanding	---	25,041
Accounts payable and accrued liabilities	14,768	22,296
Total liabilities	14,768	47,337
Net assets available for benefits	$ 11,495,259	$ 15,300,932
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	$ 227,878,700	$ 235,683,800
Deficiency (Note 4)	(216,383,441)	(220,382,868)
Accrued pension benefits net of deficiency	$ 11,495,259	$ 15,300,932

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Consolidated Statement of Changes in Net Assets Available for Benefits
for the Year Ended March 31, 2005

	2005	2004
Increase In Assets		
Contributions:		
Province of Nova Scotia	$ 19,482,220	$ 19,794,331
Investment income:		
Interest on investments	226,744	343,005
Dividends on investments	95,920	98,451
Gain on sale of investments	1,305,524	1,224,488
Current period change in market values of investments	---	1,628,375
Total increase in assets	21,110,408	23,088,650
Decrease In Assets		
Benefits paid	23,781,507	24,328,714
Operating expenses (Note 5)	180,076	249,586
Current period change in market values of investments	954,498	---
Total decrease in assets	24,916,081	24,578,300
Decrease In Net Assets	(3,805,673)	(1,489,650)
Net Assets Available for Benefits at Beginning of Year	15,300,932	16,790,582
Net Assets Available for Benefits at End of Year	$ 11,495,259	$ 15,300,932

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Notes to Consolidated Financial Statements
Year Ended March 31, 2005

1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act, the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan agreements.

a) United Steel Workers of America Pension Plan:

The Plan is a non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

b) Salaried Pension Plan:

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Death benefits are available if certain criteria are met.

c) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Local 1675 of the Canadian Union of Public Employees.

A service pension is available based on $35.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

d) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Local 1675 of the Canadian Union of Public Employees.

A service pension is available based on $35.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

2. Significant Accounting Policies:

a) Basis of consolidation:

The consolidated financial statements include the accounts of the following pension plans:
- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

b) Basis of presentation:

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

c) Marketable securities:

Marketable securities are reported as of the trade date and stated at market value as at year-end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Bonds, debentures and equities are valued using published market quotations. The current period change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits.

d) Gains and losses on sale of investments:

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

e) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

f) Non-Investment Assets and Liabilities:

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

g) Benefits:

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of acccrued acturial liabilities.

h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

3. Investments:

Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk:

(a) Interest Rate Risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

Interest bearing investments as classified by the earliest of the contractual repricing date or the maturity date are as follows:

	March 31, 2005						**March 31, 2004**	
	Within 1 year	**1 to 5 years**	**5 to 10 years**	**Over 10 Years**	**Total**	**Average effective yield**	**Total**	**Average effective yield**
Money market.	$ 422,721	$ ---	$ ---	$ ---	$ 422,721	2.1%	$ 628,877	2.6%
Bonds and debentures.	---	1,983,912	540,335	1,046,512	3,570,759	5.0%	5,132,411	5.0%
Total.	$ 422,721	$ 1,983,912	$ 540,335	$ 1,046,512	$ 3,993,480		$ 5,761,288	

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

(b) Market Risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments to mitigate the impact of market risk.

(c) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher.

(d) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities.

4. Accrued Pension Benefits and Deficiency:

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Limited, performed a valuation as at December 31, 2003 and issued their report in June 2004. The report indicated that the Plans had an unfunded liability of $222.3 million. A projection to March 31, 2005, applying the assumptions summarized below, indicated an unfunded liability of $216.4 million (March 31, 2004 - 220.4 million).

The following table reflects the unfunded liability as at March 31, 2005 and as at March 31, 2004.

	2005	2004
Actuarial value of assets:	$ 11,495,259	$ 15,300,932
Acrued pension benefits:	227,878,700	235,683,800
Unfunded liability	$ (216,383,441)	$ (220,382,868)

Reconciliation of changes in accrued pension benefits:

	2005	2004
Accrued pension benefits at beginning of year	$ 235,683,800	$ 242,675,300
Impact of change in discount rate and inflation assumption	2,287,900	---
Benefits paid	(23,781,500)	(24,231,600)
Interest on average liability during fiscal year	13,688,500	14,236,700
Net experience losses	---	3,003,400
Accrued pension benefits at end of year	$ 227,878,700	$ 235,683,800

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability.

The net actuarial losses noted above include experience gains and losses resulting when actual benefits differ from estimated benefits. Also, in 2005, the discount rate changed from 6.17% to 6.05% and this would have caused an actuarial loss by increasing the liability.

The major economic and demographic assumptions used in the last valuation are as follows:

	Estimate March 31, 2005	Valuation December 31, 2003
Inflation (only applies to the salary plan)	2.75% per annum	3.0% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	6.05% per annum	6.17% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

5. Operating Expenses:

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2005	2004
Investment Expenses		
Investment management fees	$ 63,886	$ 89,618
Plan Administration		
Professional services	$ 34,923	$ 64,955
Salaries	50,440	74,341
Supplies and services	23,191	10,927
Travel	211	1,194
Other	7,425	8,551
	$ 116,190	$ 159,968
Total Operating Expenses	$ 180,076	$ 249,586

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Schedule A - Assets Available for Benefits by Pension Plan
March 31

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2005				
Investments	$ ---	$ 10,671,400	$ ---	$ 10,671,400
Cash	821,446	283	16,898	838,627
	821,446	10,671,683	16,898	11,510,027
Less: Accounts payable and accrued liabilities	8,380	6,278	110	14,768
Net assets available for benefits	$ 813,066	$ 10,665,405	$ 16,788	$ 11,495,259
Accrued pension benefits	$ 171,475,600	$ 54,100,500	$ 2,302,600	$ 227,878,700
Deficiency	(170,662,534)	(43,435,095)	(2,285,812)	(216,383,441)
Accrued pension benefits net of deficiency	813,066	10,665,405	16,788	$ 11,495,259
2004				
Investments	$ ---	$ 14,862,361	$ 96,868	$ 14,959,229
Cash	363,999	---	---	363,999
	363,999	14,862,361	96,868	15,323,228
Less: Accounts payable and accrued liabilities	17,813	3,976	507	22,296
Net assets available for benefits	$ 346,186	$ 14,858,385	$ 96,361	$ 15,300,932
Accrued pension benefits	$ 178,209,700	$ 55,115,900	$ 2,358,200	$ 235,683,800
Deficiency	(177,863,514)	(40,257,515)	(2,261,839)	(220,382,868)
Accrued pension benefits net of deficiency	346,186	14,858,385	96,361	$ 15,300,932

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

Schedule B - Changes in Assets Available for Benefits by Pension Plan
Year Ended March 31, 2005

	United Steel Workers of America (Locals 1064, 6537 and 6516 Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2005				
Increase in Assets				
Contributions:				
Province of Nova Scotia . . . . . $	19,300,917 $	39,990 $	141,313 $	19,482,220
Interest and dividends on investments	1,402	320,724	538	322,664
Gain on sale of investments	---	1,303,437	2,087	1,305,524
	19,302,319	1,664,151	143,938	21,110,408
Decrease in Assets				
Benefits paid.	18,717,030	4,846,523	217,954	23,781,507
Administrative expenses.	118,409	59,114	2,553	180,076
Current period change in market value of investments.	---	951,494	3,004	954,498
	18,835,439	5,857,131	223,511	24,916,081
Increase (decrease) in Net Assets	466,880	(4,192,980)	(79,573)	(3,805,673)
Assets available for benefits, beginning of year.	346,186	14,858,385	96,361	15,300,932
Assets available for benefits, end of year. . . . . $	813,066 $	10,665,405 $	16,788 $	11,495,259
2004				
Increase in Assets				
Contributions:				
Province of Nova Scotia . . . . . $	19,752,152 $	39,836 $	2,343 $	19,794,331
Interest and dividends on investments	497	435,500	5,459	441,456
Gain on sale of investments.	---	1,209,331	15,157	1,224,488
Current period change in market value of investments	---	1,608,219	20,156	1,628,375
	19,752,649	3,292,886	43,115	23,088,650
Decrease in Assets				
Benefits paid.	19,214,773	4,889,387	224,554	24,328,714
Administrative expenses.	191,779	53,584	4,223	249,586
Current period change in market value of investments.	---	---	---	---
	19,406,552	4,942,971	228,777	24,578,300
Increase (decrease) in Net Assets	346,097	(1,650,085)	(185,662)	(1,489,650)
Assets available for benefits, beginning of year.	89	16,508,470	282,023	16,790,582
Assets available for benefits, end of year. . . . . $	346,186 $	14,858,385 $	96,361 $	15,300,932

Unaudited

SYDNEY TAR PONDS AGENCY

Balance Sheet
Year Ending March 31, 2005

ASSETS

		2005
Current		
Petty Cash	$	350
Total Current		350
Long Term		
Vehicles		41,366
Accumulated Depreciation		(32,136)
		9,230
Total Assets	$	9,580

LIABILITIES

Current		
Due to Province, Petty cash advance	$	350

EQUITY

Contributed Surplus		9,230
Total Liabilities and Equity	$	9,580

Statement of Expenditures
Year Ending March 31, 2005

		2005
Revenue		
Province of Nova Scotia	$	9,280,839
Operating Expenditures (Schedule 1)		
Salaries and Benefits		695,963
Travel		60,392
Professional Services		8,110,866
Supplies and Services		413,618
Total Expenditures		9,280,839
Excess revenue over expenditures	$	---
Project Expenditures (Schedule 2)		
Remediation Expenditures	$	8,491,159
Administration (Sydney Tar Ponds Agency)		789,680
Total	$	9,280,839

Note: Costs are tracked by project numbers and linked to cost centre controlling accounts.

Unaudited

SYDNEY TAR PONDS AGENCY

Schedule 1
Operating Expenditures
Year Ending March 31, 2005

		2005
Internet Registration	$	50.00
TPW-Proj Settlement		7,679.77
Civil Servants		440,604.89
O.I.C. Appointments		(13,463.68)
Contract Employees		160,590.56
Casual Employees		3,203.84
Fringe Benefits		59,204.61
PSSP Contributions		38,093.02
Total Salaries and Benefits		695,963.01
Travel - In Prov		17,251.07
Travel - Out of Prov		1,400.96
Conferences Out Prov		716.43
Kilometers Travelled		8,236.45
Airfare/Acc. In Prov		26,856.25
Airfare/Out of Prov		5,930.70
Total Travel		60,391.86
Professional Service		8,061,252.68
Legal Services		27,997.13
Clerical Services		21,616.52
Total Professional Services		8,110,866.33
General Overhead		913.95
Photographic Supply		135.51
Promotional Supplies		68.21
Misc. Office Expense		24,508.15
Printing/Stationery		1,425.63
Postage		410.24
Freight, Duty		3,347.59
Security Services		200.00
Print Prod Charges		18,781.66
Gen Operating Supply		413.77
Catering Supplies		187.56
Janitorial Supplies		1,287.85
Kitchen Utensils		45.40
Small Tools		36.23
Protective Clothing		2,006.59
Aud. Vis. Stills		212.41
Aud Vis. Audios		120.00
IT Software Purchase		6,549.54
Telecommuications		34,695.58
IT Data Communicate		525.50
Electricity		19,591.16
#2 Heating Oil		1,709.00
Central Serv Water		3,022.47
Spring Water		674.87
Equipment Repairs		489.61
Safety Equipment		68.60

	Unaudited
Heavy Equip Repairs	135.83
Auto Operation Maint.	64.00
Gasoline.	1,937.66
Advertising	32,615.60
Snow Removal.	3,110.00
Janitorial Services	7,255.74
Taxi and Messenger.	43.65
Electrical Sys Maint	90.49
Insurance Premiums	91,537.20
Office Rentals.	89,225.48
Parking.	2,973.90
Equipment Rentals	590.30
Equipment Leases.	7,428.18
Auto Rentals	1,397.33
IT Hardware	27,445.66
Equipment Purchases	6,387.26
Office Furniture	8,493.28
Staff Training	2,370.00
Meeting Expenses	7,660.57
Relocation Expenses	1,195.42
Membership Dues.	2,338.49
Subscr Periodicals.	4,133.13
Other	6,247.23
Land Purchases.	509.17
Amortization.	2,961.00
Resale Supplies	(50.00)
L/C Dept: *Salaries	(15,906.34)
Total Supplies and Services	413,617.31
Total Expenditures.	$ 9,280,838.51

Unaudited

SYDNEY TAR PONDS AGENCY

Schedule 2
Project Expenditures
Fiscal 2004/05

Project		2005 Expense
Tank Content Removal	$	3,377,130.20
Engineering Design and Oversig.		170,064.48
Cooling Pond		65,668.55
Demolition & Debris Removal		43.48
Washplant Operations and Maint		78,093.58
Equipment Acquisition		10,000.00
Nova Scotia Environmental Offi		53,883.17
Ground and Surface Water Monitoring		21,001.40
Environmental Impact Study		366,686.13
Pre Design & Closure Plan		9,832.50
Implementation & Construction		25,001.04
Physical Remedial Activities		147,142.79
Public Works and Government Se		37,288.21
Construction Management Consul.		35,620.08
Contracting Party.		525,355.00
Engage PMC		122,019.82
Evaluation of Cost Share		101,754.46
Project Communications Disburs		30,664.92
Sewer Interceptor		581,820.02
Future Site Use Plan		8,665.00
GIS Maintenance and Input		156,901.99
Future Joint Fed/Prov Project.		86,778.84
Coke Oven Brook Realign/Batter.		302,979.82
Communications for Roll Out		218,817.48
Health & Wellness Strategy		300,000.00
Technical Support for Roll Out.		59,099.52
Whiteney Pier Water Lines Leac		26,222.62
Air Monitoring.		769,060.55
Security Patrols		339,735.74
Dr Muggah		132,839.33
Remedial Action Evaluation Report		3,210.00
Environmental Assessment		327,778.42
Total.	$	8,491,159.14

AUDITOR'S REPORT

To the Shareholder of TPP Investments I Inc.

We have audited the balance sheet of TPP Investments I Inc. as at December 31, 2004 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company'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 company as at December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Winnipeg, Canada
August 26, 2005

TPP INVESTMENTS I INC.

Balance Sheet
December 31, 2004, with comparative figures for 2003

	2004	2003
ASSETS		
Income-producing properties (note 4)	$ 24,173,037	$ 9,276,002
Intangible assets (note 5)	3,559,633	---
Deferred recoverable costs (note 6)	10,684	---
Prepaid expenses	107,827	---
Accounts and other receivables	127,345	346
Cash	522,453	257,778
	$ 28,500,979	$ 9,534,126
LIABILITIES and SHAREHOLDER'S EQUITY		
Mortgages payable (note 7)	$ 6,709,610	$ ---
Intangible liabilities (note 8)	169,690	---
Security deposits and prepaid rent	44,928	---
Accounts payable and accrued liabilities	364,313	27,316
Shareholder's equity:		
Share capital (note 9)	21,895,958	9,287,536
Retained earnings (deficit)	(683,520)	219,274
	21,212,438	9,506,810
Subsequent events (note 13)		
	$ 28,500,979	$ 9,534,126

See accompanying notes to financial statements

TPP INVESTMENTS I INC.

Statement of Income and Deficit
Year ended December 31, 2004, with comparative figures
for the period from incorporation on June 6, 2003 to December 31, 2003

	2004	2003
Property revenue	$ 2,437,092	$ 333,862
Property operating expenses	662,578	6,694
Gross income	1,774,514	327,168
Amortization	1,349,679	80,482
Mortgage interest	175,808	---
Net operating income	249,027	246,686
Investment income	5,021	170
	254,048	246,856
Administrative costs	17,686	5,000
Asset management fees (note 11)	99,849	19,493
Performance fees (note 11)	114,307	3,089
Net income	22,206	219,274
Retained earnings, beginning of period	219,274	---
Dividends paid	(925,000)	---
Retained earnings (deficit), end of period	$ (683,520)	$ 219,274

See accompanying notes to financial statements.

TPP INVESTMENTS I INC.

Statement of Cash Flows
Year ended December 31, 2004, with comparative figures
for the period from incorporation on June 6, 2003 to December 31, 2003

	2004	2003
Operating activities:		
Net income	$ 22,206	$ 219,274
Adjustments for:		
Amortization:		
Income-producing properties	420,225	80,482
Acquired in-place leases.	929,454	---
Above and below market in-place leases, net	(11,589)	---
Mortgage premium	(35,134)	---
Straight-line rent	(51,298)	---
	1,273,864	299,756
Change in the following:		
Additions to deferred recoverable costs	(10,684)	---
Prepaid expenses	(107,827)	---
Accounts and other receivables.	(75,701)	(346)
Security deposits and prepaid rent	44,928	---
Accounts payable and accrued liabilities	336,997	27,316
Cash flows from operating activities	1,461,577	326,726
Financing activities:		
Issuance of common shares	12,608,422	9,287,536
Dividends paid	(925,000)	---
Repayment of mortgages payable	(73,218)	---
Cash flows from financing activities	11,610,204	9,287,536
Investing activities:		
Additions to income-producing properties	(120,801)	---
Purchase of income-producing properties	(12,686,305)	(9,356,484)
Cash flows used in investing activities.	(12,807,106)	(9,356,484)
Increase in cash	264,675	257,778
Cash, beginning of period	257,778	---
Cash, end of period	$ 522,453	$ 257,778
Supplementary cash flow information:		
Interest paid	$ 180,131	$ ---

The portion of the purchase price on the acquisition of income-producing properties satisfied by the assumption of mortgages payable in the amount of $6,817,962 has been excluded from the financing and investing activities on the statement of cash flows.

See accompanying notes to financial statements.

TPP INVESTMENTS I INC.

Notes to Financial Statements
Year ended December 31, 2004

1. Operations:

TPP Investments I Inc. (the company) was incorporated and registered June 6, 2003 under the Nova Scotia Companies Act by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Teachers' Pension Fund.

The company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the Income Tax Act, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the Income Tax Act) that is real property or an interest in real property owned by the company, another corporation, described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the Income Tax Act, or a pension plan registered with the Minister of National Revenue pursuant to the Income Tax Act; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the Income Tax Act that is real property or an interest in real property owned by the partnership.

The company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the Pension Benefits Standards Act, 1985 or a similar law of a province.

The company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

The company is under the management of GWL Realty Advisors Inc. (GWLRA), a wholly-owned subsidiary of The Great-West Life Assurance Comapny, by way of management agreements between GWLRA and the company.

2. Significant accounting policies:

(a) Income-producing properties:

Income-producing properties are carried at cost less accumulated amortization. If it is determined that the carrying amount of an income-producing property exceeds the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the property, it is reduced to its estimated fair value.

Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period. Building improvement costs are deferred and amortized on a straight-line basis over a rolling 10 year period.

The company capitalizes all direct costs relating to the acquisition of properties. For properties under development, initial acquisition costs, other direct costs, property taxes, initial leasing costs, incidental operating revenues and expenses and certain indirect costs and property taxes are capitalized until the property reaches its accounting completion date. Development properties reach accounting completion at the end of the month when the earliest of the following is achieved:

(i) break even in cash flow;

(ii) 75 percent occupancy by tenants who are paying rent; and

(iii) one year after substantial completion, or in the case of properties valued at more than $10 million, up to two years after completion.

(b) Acquisition of income-producing properties:
Effective for transactions commenced after September 12, 2003, the purchase price of income-producing properties is allocated based on estimated fair market values to land, building, tenant improvements and intangible assets including the value of above and below market leases, the in-place leases and tenant relationships, if any. The values of tenant improvements, above and below market leases, in-place leases and tenant relationships are amortized over the term of the lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written-off.

(c) Deferred recoverable costs:
Deferred recoverable costs consist of capital expenditures which are recoverable from tenants, are recorded at cost and amortized on a straight-line basis over a five to ten year period.

(d) Revenue recognition:
Property revenue includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease (note 3[a]). The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expense are recognized in revenue in the period in which applicable expenses are incurred.

(e) Co-ownership interest:
The company records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the company has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

(f) Use of estimates:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Change in accounting policies:

(a) Revenue recognition:
Effective January 1, 2004, the company adopted the straight-line method of rental revenue recognition whereby any contractual rent increases over the initial term of a lease are recognized in income evenly over that term. Previously, rental revenue was recorded in accordance with the terms of the underlying lease. This change in accounting policy has been applied prospectively and had the effect of increasing net income by $51,298 for the year ended December 31, 2004.

(b) Impairment of long-lived assets:

On January 1, 2004, the company prospectively adopted the CICA recommendations requiring long-lived assets to be reviewed for impairment whenever events or changes in circumstances indicates that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. This change in accounting policy had no impact on adoption or in the current year.

(c) Asset retirement obligations:

Effective January 1, 2004, the company adopted the CICA recommendations requiring the recognition of the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation, if any, is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. This change in accountingpolicy had no impact on adoption or in the current year.

4. Income-producing properties:

The carrying value of the income producing properties is comprised of:

	2004			2003
	Cost	**Accumulated amortization**	**Net book value**	**Net book value**
Land	$ 3,790,359	$ ---	$ 3,790,359	$ 1,630,234
Building and building improvements	20,312,666	442,272	19,870,394	7,645,768
Tenant improvements	570,719	58,435	512,284	---
	$ 24,673,744	$ 500,707	$ 24,173,037	$ 9,276,002

The income-producing properties balance represents three 55 percent co-ownerships entered into during 2004, as well as one 27.5 percent co-ownership entered into during 2003.

The net assets acquired were as follows:

	2004	**2003**
Land	$ 2,160,125	$ 1,630,234
Buildings	12,407,180	7,726,250
Tenant improvements	629,154	---
Acquired in-place leases	4,271,648	---
Above market in-place leases	250,602	---
Below market in-place leases	(214,442)	---
	19,504,267	9,356,484
Less:		
Mortgages assumed	(6,259,663)	---
Mortgages premium	(558,299)	---
	(6,817,962)	---
Net assets acquired, satisfied by cash consideration	$ 12,686,305	$ 9,356,484

5. Intangible assets:

	2004 Cost	2004 Accumulated amortization	2004 Net book value	2003 Net book value
Acquired in-place leases.	$ 4,271,648	$ 929,454	$ 3,342,194	$ ---
Above market in-place leases	250,602	33,163	217,439	---
	$ 4,522,250	$ 962,617	$ 3,559,633	$ ---

6. Deferred recoverable costs:

	2004 Cost	2004 Accumulated amortization	2004 Net book value	2003 Net book value
Deferred recoverable costs. . . .	$ 17,806	$ 7,122	$ 10,684	$ ---

7. Mortgages payable:

Mortgages payable bear interest at rates up to 6.95 percent (weighted average 6.81 percent) and are due at various dates to 2014. The mortgages were all assumed during the year as part of the purchase agreements for two properties. The existing guarantees remained after assumption.

Mortgages on income-producing properties assumed on acquisitions are adjusted to fair value using the market interest rate at the time of acquisition. The resulting premium or discount is amortized to interest expense over the remaining life of the mortgage. For the acquisitions during fiscal 2004, a premium aggregating $558,299 was recorded on acquisition with the unamortized premium at December 31, 2004 aggregating $523,165.

Principal payments, excluding the unamortized premium of $523,165, are due as follows:

2005	$ 139,082
2006	148,734
2007	1,133,722
2008	129,387
2009	138,314
Thereafter	4,497,206
	$ 6,186,445

8. Intangible liabilities:

	2004 Cost	2004 Accumulated amortization	2004 Net book value	2003 Net book value
Below market in-place leases.	$ 214,442	$ 44,752	$ 169,690	$ ---

9. Share capital:

The authorized capital of the company is 100,000 common shares without nominal or par value, with power to divide the shares in capital into several classes and/or to attach thereto respectively any preferential, common deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the Companies Act and amendments thereto. Shares may be issued only to registered Canadian pension funds or other investors permitted under Section 149(1)(o.2) of the Income Tax Act. The sale, transfer or disposition of shares is restricted.

	2004		2003	
Issued	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Share capital, beginning of period	100	$ 9,287,536	---	$ ---
Cash contributed as capital during the period	200	12,608,422	100	9,287,536
Share capital, end of period	300	$ 21,895,958	100	$ 9,287,536

10. Financial instruments:

Financial risk is the risk to earnings arising fro fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The company manages its financial risks as follows:

(a) Interest rate risk:
Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

(b) Credit risk:
Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The company mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

(c) Fair value:
The company has the following financial instruments: accounts and other receivables, cash, mortgages payable and accounts payable and accrued liabilities. The carrying values of the accounts and other receivables, cash and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of the mortgages payable was $6,931,773 at December 31, 2004 compared to a carrying value of $6,709,610. Fair value has been calculated using the future cash flows of the mortgages payable, discounted at current market rates available to the company for the same or similar instruments.

11. Advisor and property managers:

The company has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the company. GWLRA has also engaged a third party to manage and operate all of the multi-residential properties. Fees are charged to the property on the balance sheet or to property operating expenses, asset management fees or performance fees in the statement of earnings as applicable.

The following fees were incurred for the above services:

	2004	2003
Annual management fees	$ 99,849	$ 19,493
Performance fees	114,307	3,089
Property management fees	56,106	6,670
Acquisition fees	92,469	45,719
Project fees	4,280	---
GWLRA fees	367,011	74,971
Property management fees - third party	22,154	---
	$ 389,165	$ 74,971

12. Income taxes:

The company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the Income Tax Act (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

13. Subsequent events:

Subsequent to year end, the company acquired a 55 percent ownership in three income-producing properties for an aggregate purchase price of approximately $57,500,000.

In addition, the company issued 300 shares for cash consideration of $25,470,500.

14. Other information:

On August 1, 2004 the company's share in an income-producing property, 7070 Mississauga Road, was appraised at $10,230,000. The company had acquired its share of this income-producing property during fiscal 2003 for a purchase price of $9,356,484.

During fiscal 2004, as disclosed in note 4, the company acquired a 55 percent interest in a further three income-producing properties. The aggregate purchase price for the company's interest in the income-producing properties was $19,504,267.

AUDITOR'S REPORT

To the Shareholder of
TPP Investments II Inc.

We have audited the balance sheet and the statement of real property investments of TPP Investments II Inc. as at December 31, 2004 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 Advisor. 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 the Advisor, 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 December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Chartered Accountants

August 25, 2005

TPP INVESTMENTS II INC.

Balance Sheet
December 31, 2004

		2004
ASSETS		
Real estate assets		
Real properties (Note 3)	$	21,532,902
Deferred charges (Note 4)		2,140,156
		23,673,058
Cash		653,886
Accounts receivable		71,761
Prepaid expenses and other assets		196,946
	$	24,595,651
LIABILITIES		
Mortgages payable (Note 5)	$	7,795,994
Accounts payable and accrued liabilities		430,235
		8,226,229
SHAREHOLDER'S EQUITY		
Share capital (Note 7)		15,935,520
Retained earnings		433,902
		16,369,422
	$	24,595,651

TPP INVESTMENTS II INC.

Statement of Real Property Investments
December 31, 2004

		2004
55% co-ownership interest - Summit Centre		
75th Street and Roper Road, Edmonton Alberta, purchased January, 2004		
Land	$	3,628,625
Building (net of accumulated depreciation of $267,726)		10,441,276
Deferred charges (net of accumulated amortization of $170,638).		1,113,006
	$	15,182,907
55% co-ownership interest - Princess Auto Building		
2850 Hopewell Place NE, Calgary, Alberta, purchased March, 2004		
Land	$	640,200
Building (net of accumulated depreciation of $24,796)		1,165,433
Deferred charges (net of accumulated amortization of $15,454).		259,631
	$	2,065,264
55% co-ownership interest - Mice Kadoke Building		
6225 Edwards Blvd, Mississauga, Ontario, purchased August, 2004		
Land	$	1,735,388
Building (net of accumulated depreciation of $32,958)		3,921,980
Deferred charges (net of accumulated amortization of $17,056).		767,519
	$	6,424,887
SUMMARIZED AS FOLLOWS:		
Land	$	6,004,213
Building (net of accumulated depreciation of $325,480)		15,528,689
Deferred charges (net of accumulated amortization of $203,148).		2,140,156
	$	23,673,058

TPP INVESTMENTS II INC.

Statement of Operations and Retained Earnings
Year ended December 31, 2004

		2004
Income from investments		
Real property rental income	$	1,711,970
Property expenses		
Operating		274,982
Mortgage interest		354,972
Depreciation of real properties		325,480
Amortization of deferred costs		203,148
Real property net rental income		553,388
Interest income		3,434
		556,822
Expenses		
Advisor's fee (Note 6)		93,753
Audit and legal fees		17,767
Other		11,400
		122,920
Net income and retained earnings at end of year	$	433,902

TPP INVESTMENTS II INC.

Statement of Cash Flows
Year ended December 31, 2004

		2004
Operating		
Net income for the year	$	433,902
Non-cash items		
Deferred rent.		(68,323)
Depreciation of real properties		325,480
Amortization of deferred costs		203,148
Amortization of deferred financiang costs		3,117
Deferred leasing costs		(439,021)
Net change in operating working capital		319,687
		777,990
Investing		
Acquisition of real property investments		(23,762,665)
Investing		
Capital contributions		15,935,520
Mortgage financing		15,592,500
Repayment of mortgage.		(7,755,000)
Mortgage principal repayments		(41,506)
Deferred financing costs.		(92,953)
		23,638,561
INCREASE IN CASH DURING THE YEAR AND CASH AT END OF YEAR	$	653,886
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash interest paid	$	287,835

TPP INVESTMENTS II INC.

Notes to the Financial Statements
December 31, 2004

1. FORMATION

TPP Investments II Inc. (the "Corporation") was incorporated under the laws of the Province of Nova Scotia on June 6, 2003 for the purpose of investing in real property, and is owned by pension funds which are registered pension plans in accordance with the Income Tax Act (Canada). The Corporation was inactive prior to 2004 and, accordingly, no comparative information for 2003 is presented.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The more significant policies are as follows:

Investment in real property
Real properties are stated at cost less accumulated depreciation. Real properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of real properties is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of a real property exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real properties to be disposed of are reported at the lower of the carrying amount and fair value less costs to sell.

Acquisition costs are capitalized as part of the cost of real properties.

The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

The above-market and below-market in-place lease values for acquired properties are determined based on the present value of the difference between the contractual base rentals under the lease and fair market lease rates for similar in-place leases, measured from the date of acquisition to the end of the remaining lease term. The value of in-place leases is amortized over the remaining term of the associated leases.

Buildings are depreciated on a straight-line basis over forty years.

Deferred leasing costs
Leasing costs, including tenant inducements and leasing commissions incurred plus tenant inducements and lease origination costs acquired upon the purchase of real properties, are deferred and amortized on a straingt-line basis over the term of the related leases.

Co-ownerships
The Corporation records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the Corporation has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

Revenue recognition

Real property rental income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income from leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expenses are recognized in revenue in the period in which applicable expenses are incurred.

Deferred financing costs

Financing costs incurred, including financing fees to the Advisor, are deferred and amortized over the term of the related debt. The unamortized balance is included in prepaid expense and other assets.

Income taxes

The Corporation conducts its affairs in order to qualify as a tax-exempt corporation under Section 149(1)(0.2) of the Income Tax Act (Canada).

Advisor's fees

The Corporation has entered into an advisory agreement with Roycom Inc. (the "Advisor"), whereby the Advisor is to provide investment advice and administrative services. The Advisor receives fees of 0.5% of real property cost on acquisitions, 0.5% of the real property sale proceeds on disposition, a financing fee of 0.25% of the principal amount of any mortgage financing, refinancing or renewal and a monthly asset management fee of 4.5% of net operating income provided that the minimum asset management fee shall not be less than 0.5% of the weighted monthly average of the appraised value of all the properties in any calendar year.

The Advisor also shall receive an annual performance fee equal to 10% of the amount by which the total net return exceeds the performance objective for the core portfolio multiplied by the appraised value of the core portfolio and 20% of the amount by which the total net return exceeds a rate of return that is 3% greater than the performance objective of the value-added portfolio multiplied by the appraised value of the value-added portfolio.

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas of estimation include the amortization periods for real property and the allocation of purchase costs on the acquisition of real properties. Actual results could differ from those estimates.

3. REAL PROPERTIES

Land	$	6,004,213
Building		15,854,169
Accumulated depreciation		(325,480)
	$	21,532,902

4. DEFERRED CHARGES

Deferred leasing costs	$	439,021
Deferred leasing costs on acquisition of real properties		1,904,283
Accumulated amortization		(203,148)
	$	2,140,156

5. MORTGAGES PAYABLE

55%, co-ownership interest -
Summit Centre, Edmonton, Alberta

First mortgages repayable in blended monthly payments of principal and interest of $35,235, at a rate of 5.907%, due July 1, 2014 to OMERS.	$	5,513,494

55%, co-ownership interest -
Mice Kadoke Building, Mississauga, Ontario

First mortgage, repayable in blended monthly payments of principal and interest of $13,722, at a rate of 5.341%, due January 1, 2015 to OMERS.		2,282,500
	$	7,795,994

Principal payments required in each of the next five fiscal years are as follows:

2005	$	145,117
2006		157,448
2007		166,610
2008		176,307
2009		186,568
	$	832,050

6. TRANSACTIONS WITH ADVISOR

Advisory fees were paid pursuant to the advisory agreement in the amount of $117,553 for acquisitions fees, $93,753 for asset management fees and $19,593 for financing fees. No amount was payable in 2004 in connection with performance fees.

7. SHARE CAPITAL

Authorized:
An unlimited number of common shares

Issued:		
15,935,520 common shares	$	15,935,520

8. FINANCIAL INSTRUMENTS

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The Corporation manages its financial risks as follows:

Interest rate risk
Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

Credit risk

Credit rate arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The Corporation mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

Fair value

Fair values of financial instruments approximate amounts as which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instrument.

When available, public market information is used to express the fair value. When such information is not readily available, fair value is estimated using present value techniques and assumptions concerning the amount and timing of expected future cash flows and discount rates which reflect the appropriate level of risk for the instrument.

Accounts receivable, prepaid expenses and other assets, and accounts payable and accrued liabilities have fair values that approximates their carrying amounts due to their short-term nature.

Fair value of mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2004 market rates for debt of similar corresponding terms and risk. Based on these assumptions, the fair value of mortgages payable at December 31, 2004 has been estimated as $7,900,000. This is higher than their recorded amount due to decreases in interest rates since these mortgages were entered into.

9. APPRAISED VALUE

On January 5, 2005, the Corporation's 55% interest in Summit Centre was appraised at $16,455,000.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2005 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company'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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 10, 2005

TRADE CENTRE LIMITED

Consolidated Balance Sheet
March 31, 2005, with comparative figures for 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,321,735	$ 2,081,157
Accounts receivable (note 2)	1,928,117	1,670,423
Inventories	154,547	161,340
Prepaid expenses	502,234	74,381
	3,906,633	3,987,301
Deferred charges	61,860	61,860
Property and equipment (note 3):		
Land, building, furniture and equipment and tenant leaseholds	40,028,204	39,833,986
Less accumulated depreciation and amortization	(27,024,683)	(25,574,257)
	13,003,521	14,259,729
	$ 16,972,014	$ 18,308,890
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,616,672	$ 1,913,872
Due to the Province of Nova Scotia	1,388,658	546,868
Event deposits	515,102	453,259
Deferred revenue	36,767	190,346
	3,557,199	3,104,345
Other liability (note 4)	340,056	226,704
Due to the Province of Nova Scotia	213,841	179,877
	4,111,096	3,510,926
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (note 5)	45,173,101	45,173,101
Deficit	(32,312,283)	(30,375,237)
	12,860,918	14,797,964
	$ 16,972,014	$ 18,308,890

Commitments (note 7)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Operations and Deficit
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Convention Centre	$ 5,250,895	$ 6,133,270
Office Tower	2,275,780	2,220,082
Exhibition Park	1,713,427	1,550,465
World Trade Centre	523,429	325,303
Halifax Regional Municipality Convention Centre Operating subsidy (note 6)	519,110	504,480
	10,282,641	10,733,600
Expenses:		
Event expenses	4,293,898	4,442,569
Salaries, wages and benefits	2,472,476	2,247,351
Administration	726,873	732,697
Advertising and marketing	377,301	374,905
Maintenance	920,656	909,358
Energy	945,971	884,668
Taxes and insurance	1,021,504	1,042,435
	10,758,679	10,633,983
Income (loss) from operations	(476,038)	99,617
Other income:		
Gain on disposal of assets	712	---
Interest income on short-term investments	19,301	28,380
	20,013	28,380
Income (loss) before depreciation and amortization	(456,025)	127,997
Depreciation and amortization	1,481,021	1,447,875
Loss for the year	(1,937,046)	(1,319,878)
Deficit, beginning of year	(30,375,237)	(29,055,359)
Deficit, end of year	$ (32,312,283)	$ (30,375,237)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Cash Flows
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Loss for the year	$ (1,937,046)	$ (1,319,878)
Items not involving cash:		
Depreciation and amortization	1,481,021	1,447,875
Gain on disposal of assets	(712)	---
Change in non-cash operating working capital	(225,900)	717,871
	(682,637)	845,868
Financing:		
Increase in Due to Province of Nova Scotia	33,964	29,436
Increase in other liabilities	113,352	113,352
	147,316	142,788
Investments:		
Increase in deferred charges	---	(61,860)
Proceeds on disposal of furniture and equipment	712	---
Purchase of property and equipment	(224,813)	(584,627)
	(224,101)	(646,487)
Increase (decrease) in cash and cash equivalents	(759,422)	342,169
Cash and cash equivalents, beginning of year	2,081,157	1,738,988
Cash and cash equivalents, end of year	$ 1,321,735	$ 2,081,157

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Year ended March 31, 2005

Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park and the World Trade Centre. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial insititutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	Rate
Buildings	15 to 30 years
Furniture and equipment	3 to 5 years
Tenant leaseholds	Lease term

(f) Employee future benefits:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of serivce to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. **Accounts receivable:**

	2005	2004
Halifax Metro Centre	$ 632,690	$ 677,001
Convention Centre events	455,266	614,321
Exhibition Park events.	111,372	34,301
Events Halifax funding.	330,484	262,513
Atlantic Canada World Trade Centre	187,838	87,291
Other	136,096	80,594
Office Tower rents	139,662	(4,731)
	1,993,408	1,751,290
Less allowance for doubtful accounts	(65,291)	(80,867)
	$ 1,928,117	$ 1,670,423

3. **Property and equipment:**

	Cost	Accumulated depreciation and amortization	2005 Net	2004 Net
Land	$ 213,113	$ ---	$ 213,113	$ 213,113
Buildings	35,067,598	22,644,445	12,423,153	13,695,551
Furniture and equipment.	3,226,368	2,873,635	352,733	351,065
Tenant leaseholds	1,521,125	1,506,603	14,522	---
	$ 40,028,204	$ 27,024,683	$ 13,003,521	$ 14,259,729

4. **Other liability:**

Trade Centre Limited has a supplemental pension arrangement with the President and Chief Executive Officer to provide post-employment benefits.

The accrued benefit obligation as at March 31, 2005, which is unfunded, is $340,056 (2004 - $226,704). This benefit expense for the year is $113,352 (2004 - $113,352).

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 7%; rate of compensation increase - 4%.

5. **Contributed surplus:**

	2005	2004
Government of Canada	$ 2,750,000	$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	$ 45,173,101	$ 45,173,101

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

6. Halifax Regional Municipality Convention Centre Subsidy:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 2005 fiscal year in these consolidated financial statements.

7. Commitments:

(a) Trade Centre Limited is committed to minimum annual operating lease, signage and other payments as follows:

2006	$	825,157
2007		807,611
2008		760,397
2009		795,955
2010		354,886

(b) Trade Centre Limited, in partnership with Expocite, has entered into a contract to host the 2008 World Hockey Championship. The Halifax Metro Centre will host 50% of these games. In connection with this event Trade Centre Limited has provided a guarantee of $2,000,000 to the Canadian Hockey Association as their share of the minimum profit of $4,000,000 to be generated from the 2008 World Hockey Championship. The Province of Nova Scotia and the Halifax Regional Municipality have each committed $1,000,000 towards the support of this event.

8. Related party transactions:

Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 2005, rental revenue and tenant recoveries included $1,703,882 (2004 - $1,687,133) received from departments and agencies of the Province of Nova Scotia.

Included in Convention Centre revenues are management fees received from Halifax Metro Centre for the amount of $14,314 (2004 - nil).

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

9. Events Halifax:

Events Halifax ("Eh!") is a division of the Centre and is included in the activity of the Convention Centre. Eh! was established in fiscal 2000. The purpose of Eh! is to provide marketing and promotion services for the benefit of bringing major sporting and cultural events to the Halifax Regional Municipality.

Convention centre revenue and event expenses both include the amount of $383,141 (2004 - $275,797) relating to the operations of Eh!.

10. Employee Pension Plan:

Employees of the Centre participate in the Public Service Superannuation fund (the "Plan"), a contributory defined benefit pension plan administrated by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2005 were $149,000 (2004 - $133,000) and are recognized as an expense in the period. The Centre is not responsible for any under-funded liability, nor does the Centre have any access to any surplus that may arise in this Plan.

AUDITOR'S REPORT

To the Chairperson and Members
of the Tri-County Regional School Board

We have audited the statement of financial position of the Tri-County Regional School Board as at March 31, 2005 and the statements of operations and accumulated deficit, changes in net debt and cash flows for the period then ended. These financial statements are the responsibility of the School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, 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.

On March 30, 2005, The Province of Nova Scotia has implemented a new financial handbook for March 31, 2005 and for future years. The new handbook requires all school boards to include all revenues, expenses and the financial position of school based funds. The school board did not include any school based fund activity in the current year financial statements. In addition, the client could not provide us with the financial information for these funds (except for the cash balance as at March 31, 2005). Consequently, we were not able to audit any of the school based activities, and did not perform any audit procedures on the cash balances as provided by the board.

The above noted changes to the handbook also require the school board to disclose information on defined benefit pension plans which it administers. The school board is one of two that were created on de-amalgamation of another school board, which had created the plan. Due to the fact that the most recent actuarial report was December 31, 2001 and that it is a report for the previous amalgamated board, information is not readily available for the newly created boards. Consequently, management was not able to determine whether any liability existed at March 31, 2005 and we are not able to perform any audit procedures to determine the extent of any possible liability.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves by examining the accounting records for the school based funds and by examining actuarial reports for the board as at March 31, 2005 referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations, changes in net debts and cash flows for the period then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Grant Thornton LLP
Registered Municipal Auditors

Bridgewater, Nova Scotia
June 27, 2005

TRI-COUNTY REGIONAL SCHOOL BOARD

Statement of Financial Position
As at March 31, 2005

ASSETS

		2005		2004
Financial Assets				
Cash and cash equivalents	$	329,237	$	---
		329,237		---
Accounts Receivable				
Province of Nova Scotia		2,159,203		---
Government of Canada		201,161		---
Municipalities		---		---
Other		301,060		---
Receivable - Retirement Allowance (Note 6)		2,914,091		---
Total Financial Assets	$	5,904,752	$	---

LIABILITIES

		2005		2004
Liabilities				
Bank Indebtedness	$	---	$	---
Accounts payable and accrued liabilities-trade		1,085,407		---
Payroll and Employee Deductions		1,619,075		---
Payables and Accruals - Government				
Province of Nova Scotia		33,671		---
Government of Canada		2,902		---
Municipalities		18,795		---
Other (Government Service Organizations)		49,231		---
Deferred Revenue		571,132		---
Retirement Obligations (Note 8)		2,914,091		---
Total Liabilities	$	6,294,304	$	---
Net (debt)/surplus	$	(389,552)	$	---
Non-Financial Assets (Note 2)				
Tangible Capital Assets (Schedule C)	$	---	$	---
Inventory		148,463		---
Prepaid expenses		44,138		---
	$	192,601	$	---
Accumulated surplus/(deficit)	$	(196,951)	$	---
Total acumulated surplus/(deficit)	$	(196,951)	$	---

Trust Funds under Administration (Note 4)
Accounting Changes (Note 11)
Contingencies and Contractual Obligations (Note 5)

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Statement of Operations
For the Eight months Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Revenues (Schedule A)			
Province of Nova Scotia	$ 28,560,781	$ 29,957,534	$ ---
Government of Canada	381,924	386,961	---
Municipal contributions	5,624,812	5,624,816	---
Board Operations	383,328	554,871	---
Total Revenues	$ 34,950,845	$ 36,524,182	$ ---
Expenses (Schedule B)			
Board Governance.	155,966	147,931	---
Regional Management	879,283	848,606	---
School Management & Support	3,936,001	3,595,637	---
Instruction & School Services	18,354,775	19,893,651	---
Student Support.	3,546,759	3,330,580	---
Adult & Community Education	178,016	220,836	---
Property Services	5,345,054	5,701,350	---
Student Transportation	2,485,155	2,779,816	---
Other Programs.	381,217	575,893	---
Interest - Service Awards			
- Teachers (Note 6)	63,500	63,500	---
	$ 35,325,726	$ 37,157,800	$ ---
School Board surplus/(deficit) on an expense basis	$ (374,881)	$ (633,618)	$ ---
Accumulated surplus/(deficit), beginning of period			
Surplus transferred from Southwest Regional School Board	$ 374,881	$ 436,667	$ ---
	$ ---	$ (196,951)	$
Capital assets from Southwest Regional School Board	---	39,431,588	---
Accounting changes (Note 11)	---	(39,431,588)	---
Accumulated surplus/(deficit), end of period	$ ---	$ (196,951)	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Statement of Changes in Net Debt
For the Eight months Ended March 31, 2005

	2005 Actual	2004 Actual
Net financial resources, as originally reported		
Surplus-Operating transferred from:		
Southwest Regional School Board, August 1, 2004	$ 363,505	$ ---
Surplus-Reserve transferred from:		
Southwest Regional School Board, August 1, 2004	72,196	---
Net financial resources, Beginning of Period, as restated	435,701	---
Changes in the Year		
Surplus-Operating to fund current operations	(436,667)	---
Interest on Restricted Funds	966	---
Annual surplus/(deficit)	(196,951)	---
Increase (decrease) in inventories of supplies	(148,463)	---
Increase (decrease) in prepaid expenses	(44,138)	---
Increase (decrease) in net debt	(825,253)	---
Net debt at end of period	$ (389,552)	$ ---

Statement of Cash Flow
For the Eight months Ended March 31, 2005

Indirect Method

	2005	2004
Operating transactions		
Annual Operating Surplus/(deficit)	$ (196,951)	$ ---
Items not affecting cash:		
Capital Asset Amortization	---	---
Deferred contributions amortization	---	---
	---	---
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(2,661,424)	---
(Increase) decrease in inventories of supplies	(148,463)	---
(Increase) decrease in prepaid expenses	(44,138)	---
Increase (decrease) in accounts payable and accruals	2,809,081	---
Increase (decrease) in deferred revenue	571,132	---
	526,188	---
Cash provided by operating activities	329,237	---
Capital activities		
Cash used to acquire tangible capital assets	---	---
Cash applied to capital activities	---	---
Increase in cash	329,237	---
Cash at beginning of period	---	---
Cash at end of period	$ 329,237	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule A - Supplementary Details of Revenues
For the Eight months Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Province of Nova Scotia			
Operating	$ 23,959,342	$ 24,221,428	$ ---
Restricted	2,481,944	2,374,707	---
Capital	1,527,518	1,612,089	---
Other	475,489	1,576,563	---
Recoveries	116,488	172,747	---
	$ 28,560,781	$ 29,957,534	$ ---
Government of Canada			
Other	$ 259,240	$ 253,851	$ ---
First Nations	122,684	133,110	---
	$ 381,924	$ 386,961	$ ---
Appropriations from Councils	$ 5,624,812	$ 5,624,816	$ ---
	$ 5,624,812	$ 5,624,816	$ ---
Board Operations			
Board Generated Revenue			
- Other Revenue	$ 333,215	$ 506,742	$ ---
Rental of Facilities	4,000	3,500	---
Interest/Investment	38,832	35,057	---
Sale of Assets	7,281	9,572	---
Non-Government Grants	---	---	---
	$ 383,328	$ 554,871	$ ---
Total Revenue	$ 34,950,845	$ 36,524,182	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Eight months Ended March 31, 2005

	2005 Budget	2005 Actual	2004 Actual
Board Governance			
Salaries	$ 78,593	$ 94,565	$ ---
Benefits	605	782	---
Travel	14,652	15,368	---
Supplies/Materials/Telecommunications	14,512	9,666	---
Professional Development	21,716	1,946	---
NSSBA Dues	25,888	25,604	---
Total Board Governance	$ 155,966	$ 147,931	$ ---
Regional Management			
Salaries	$ 461,145	$ 438,931	$ ---
Benefits	82,200	76,732	---
Travel	48,352	48,272	---
Professional Services	29,269	31,873	---
Contracted Services	339,626	323,598	---
Repairs/Maintenance	15,161	19,782	---
Supplies/Materials/Telecommunications	82,553	82,578	---
Utilities	10,134	9,064	---
Professional Development	35,207	26,420	---
Bank/Interest Costs	1,619	66	---
Insurance	51,284	47,642	---
Recovery - Shared Services	(277,267)	(256,352)	---
Total Regional Management	$ 879,283	$ 848,606	$ ---
School Management & Support			
Salaries	$ 3,018,417	$ 2,860,960	$ ---
Benefits	230,333	216,186	---
Travel	58,047	45,253	---
Contracted Services	52,992	25,160	---
Repairs/Maintenance	7,273	3,512	---
Supplies/Materials/Telecommunications	341,499	247,767	---
Professional Development	227,440	196,799	---
Total School Management & Support	$ 3,936,001	$ 3,595,637	$ ---
Instruction & School Services			
Salaries	$ 16,706,444	$ 18,273,324	$ ---
Benefits	795,080	854,316	---
Retirement allowances - current service	188,837	96,476	---
Travel	10,150	7,442	---
Contracted Services	109,528	107,605	---
Supplies/Materials/Telecommunications	265,287	275,034	---
Textbook Allocation	279,449	279,454	---
Total Instruction & School Services	$ 18,354,775	$ 19,893,651	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Eight months Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Student Support			
Salaries	$ 3,184,301	$ 3,023,985	$ ---
Benefits	261,694	222,142	---
Travel	31,500	24,287	---
Supplies/Materials/Telecommunications	56,914	41,944	---
Professional Development	12,350	18,222	---
Total Student Support	$ 3,546,759	$ 3,330,580	$ ---
Adult & Community Education			
Salaries	$ 137,474	$ 194,807	$ ---
Benefits	18,562	13,562	---
Travel	4,200	716	---
Contracted Services	3,150	3,497	---
Supplies/Materials/Telecommunications	12,530	8,254	---
Professional Development	2,100	---	---
Total Adult & Community Education	$ 178,016	$ 220,836	$ ---
Property Services			
Salaries	$ 1,477,609	$ 1,457,981	$ ---
Benefits	239,225	265,672	---
Travel	5,472	10,734	---
Contracted Services	197,659	295,760	---
Repairs/Maintenance	2,274,481	2,216,005	---
Vehicle Expenses	12,698	13,639	---
Supplies/Materials/Telecommunications	106,530	82,201	---
Utilities	1,006,682	1,216,109	---
Professional Development	4,834	3,541	---
Insurance	153,840	153,968	---
Recoveries	(133,976)	(14,260)	---
Total Property Services	$ 5,345,054	$ 5,701,350	$ ---
Student Transportation			
Salaries	$ 1,380,849	$ 1,389,298	$ ---
Benefits	246,257	301,966	---
Travel	55,976	59,583	---
Contracted Services	18,633	34,469	---
Repairs/Maintenance	26,989	18,080	---
Vehicle Maintenance	555,830	796,047	---
Conveyance	53,300	49,198	---
Supplies/Materials/Telecommunications	49,410	34,932	---
Utilities	13,825	16,673	---
Professional Development	6,834	1,518	---
Insurance	77,252	78,052	---
Total Student Transportation	$ 2,485,155	$ 2,779,816	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures
For the Eight months Ended March 31, 2005

	2005		2004
	Budget	**Actual**	**Actual**
Other Programs			
Salaries	$ 195,833	$ 282,701	$ ---
Benefits	17,559	17,803	---
Travel	---	7,868	---
Repairs/Maintenance	---	18,350	---
Supplies/Materials	167,825	249,171	---
Professional Development	---	---	---
Total Other Programs	$ 381,217	$ 575,893	$ ---
Interest Expense			
Interest - Service Awards - Teachers	$ 63,500	$ 63,500	$ ---
Total Interest Expense	$ 63,500	$ 63,500	$ ---
Total Expenditures	$ 35,325,726	$ 37,157,800	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule C - Supplementary Details of Tangible Capital Assets
For the Eight months Ended March 31, 2005

	Land, Buildings and Improvements	Major Equipment	Computer Hardware	Vehicles	2005 Total	2004 Total
Cost of Tangible Assets transferred from						
Southwest Regional School Board	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Additions	---	---	---	---	---	---
Disposals	---	---	---	---	---	---
Closing Costs	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Accumulated Amortization:						
Opening balance	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Disposals	---	---	---	---	---	---
Amortization expense	---	---	---	---	---	---
Closing Balance	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Net Book Value (NBV)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Net Book Value (NBV):						
Opening balance	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Closing Balance	---	---	---	---	---	---
Increase (Decrease) in NBV	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---

See accompanying notes to the financial statements

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule D - Trust Funds Balance Sheet
As at March 31, 2005

	2005	2004
Assets		
Cash	$ 179,679	$ ---
Equity		
Augusta Nickerson	14,253	---
J. Pask Memorial	136	---
Elsie Hemeon Fund	548	---
F. Dakin and P. Dakin Dickson	44,898	---
Dr. Charles and Mary Webster	31,597	---
Reserve for scholarships		
Yarmouth District Scholarship Society		
Unassigned	3,821	---
Samuel Margolian Trust - Yarmouth High	4,955	---
Samuel Margolian Trust - St. Ambrose	4,956	---
Churchill Trust	804	---
Loraleis Trust	1,625	---
Blackader - Kirk Trust	1,523	---
Olson	2,984	---
Andrew Maxwell	2,765	---
Estate of Marjorie E. Jones	16,222	---
Digby Community Theatre Fund	2,088	---
Atlantic Philanthropy	210	---
Shelburne High - new school	39,659	---
Faith Guay	6,635	---
	$ 179,679	$ ---

See accompanying notes to the financial statements.

TRI-COUNTY REGIONAL SCHOOL BOARD

Schedule E - Supplementary Details of Trust Funds
For the Eight months Ended March 31, 2005

	Balance Beginning of Period	Contributions	Receipt of Donations	Interest Earned	Expenditures	Scholarships Awarded	Balance End of Period
Augusta Nickerson	$ 14,065	$ ---	$ ---	$ 188	$ ---	$ ---	$ 14,253
J. Pask Memorial	134	---	---	2	---	---	136
Elsie Hemeon	541	---	---	7	---	---	548
F. Dakin/P. Dakin Dickson	45,294	---	---	604	---	(1,000)	44,898
Dr. Charles/Mary Webster	31,965	---	---	419	---	(787)	31,597
Yarmouth Dist Scholarship Society							
Unassigned	3,770	---	---	51	---	---	3,821
S. Margolian Trust - Yarmouth High	5,013	---	---	65	---	(123)	4,955
S. Margolian - St. Ambrose	5,013	---	---	66	---	(123)	4,956
Churchill Trust	794	---	---	10	---	---	804
Loraleis Trust	1,604	---	---	21	---	---	1,625
Blackader - Kirk Trust	2,001	---	---	22	---	(500)	1,523
Olson Trust	2,944	---	---	40	---	---	2,984
Andrew Maxwell	2,927	---	---	38	---	(200)	2,765
Estate of Marjorie E Jones	16,008	---	---	214	---	---	16,222
Digby Community Theatre Fund	2,060	---	---	28	---	---	2,088
Atlantic Philanthropy	6,605	---	---	42	---	(6,437)	210
Shelburne High - new school	129,263	70,000	---	1,837	(161,441)	---	39,659
Faith Guay	4,974	---	2,595	66	---	(1,000)	6,635
	$ 274,975	$ 70,000	$ 2,595	$ 3,720	$ (161,441)	$ (10,170)	$ 179,679

See accompanying notes to the financial statements

1. Board Restructuring

The Southwest Regional School Board was dissolved on July 31, 2004 and two new regional school boards were formed on August 1, 2004 under the names of Tri-County Regional School Board and South Shore Regional School Board. The areas of Finance, Human Resources and Information Technology were structured as shared services for both the regional school boards.

2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

Basis of Accounting and Consolidation

Revenues

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

The consolidated statement of financial position is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal Contributions.

Expenses

Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and are for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principle amount less valuation allowances, if applicable.

Liabilities

Pension, Retirement and Other Obligations include various employee benefits. For purposes of these financial statements, the School Board's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Board's best estimates of performance over the long-term. The net pension liabilities represent accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses.

Deferred Revenue
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year that the related expenditures are incurred or service performed.

Net Debt
Net debt represents the direct liabilities of the Board less financial assets.

Non-Financial Assets
The Southwest Regional School Board was dissolved on July 31, 2004.

Inventories are bus garage parts and bus tire inventories recorded at average cost. All other supplies and purchases are expensed.

Prepaid expenses are cash disbursements for goods and services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficit/Surplus
Accumulated Deficit/Surplus represented the liabililties of the School Board less financial assets and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

3. School Generated Funds

School Generated Funds, which include the revenues and expenditures and fund balances of various organizations that exist at the school level under the juristiction of the school board, are not reflected on the consolidated financial statements for the eight months ended March 31, 2005. School generated funds will be included on the 2005-2006 financial statements. This allows for a transition period for schools to change year ends to March 31st instead of July 31st of each year.

Fund balances at the school level total $836,469 as of March 31, 2005. This cash amount was not subject to an audit, as outlined in the audit report.

4. Trust Funds under Administration

Trust fund assets administered by the School Board are identified in Schedule D. The Trust funds represent capital contributed in trust as well as income thereon. Such income is used to provide scholarships for eligible students or expenditures for specifically, designated purposes.

5. Contractual Obligations

Minimum payments over the next five years are as follows:

		Copier Leases		Rental Leases		Energy Management		Total
2006	$	96,831	$	18,133	$	62,902	$	177,866
2007		95,103		18,700		53,580		167,383
2008		36,570		18,718		---		55,288
2009		11,778		588		---		12,366
2010		3,330		---		---		3,330
Total	$	243,612	$	56,139	$	116,482	$	416,233

Energy Management Contract

The Shelburne County District School Board (prior to 1996) had entered into an energy management contract with Nova Scotia Power Services Limited. The Tri-COunty Regional School Board is required to pay $5,242 per month until the contract expires.

6. Pension Plans

The Tri-County Regional School Board and South Shore Regional School Boards sponsor two defined benefit pension plans for substantially all of the non-teaching employees. There are two separate plans - one for CUPE Staff and one for Support Staff. Benefits are based on career earning levels.

Employees make contributions equal to five percent of their salary and the school boards contribute the balance to fully fund the pension plans.

The latest actuarial valuation ws completed as of December 31, 2001 for the Southwest Regional School Board and the next valuation is scheduled for December 31, 2004.

<u>Support Staff Plan</u>

Going-Concern Financial Position December 31, 2001

Total actuarial value of assets	-	$	4,762,700
Total actuarial liability	-	$	4,644,300
Actuarial surplus	-	$	118,400

<u>Solvency Financial Position as at December 31, 2001</u>

Total solvency assets	-	$	4,784,600
Total solvency liability	-	$	4,806,700
Solvency (deficiency)	-	$	(22,100)

<u>CUPE Staff Plan</u>

Going-Concern Financial Position December 31, 2001

Total actuarial value of assets	-	$	5,591,800
Total actuarial liability	-	$	4,983,400
Actuarial surplus	-	$	608,400

<u>Solvency Financial Position as at December 31, 2001</u>

Total solvency assets	-	$	5,561,800
Total solvency liability	-	$	5,161,200
Solvency surplus	-	$	400,600

The Tri-County Regional School Board participates in a multi-employer pension with the Town of Yarmouth and the Nova Scotia School Board Association on behalf of a few non-teaching employees.

The School Board's teaching staff are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers Pension Act. Employer contributions for these employees are provided directly by the Province of Nova Scotia. The pension costs and obligations related to this plan are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

7. Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

8. Commitments

Service Awards

For all service on or before July 31, 2000, under the terms of the agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Shelburne District	- $90 per years of service (maximum 35 years)
Yarmouth District	- .075 of 1% of annual salary (maximum TC6) per years of service (maximum 30 years)
Digby District	- $80 per years of service (maximum 30 years)
Claire-Argyle District	- .06 of 1% of annual salary per years of service (maximum 35 years)

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years of service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

For all service commencing on or after August 1, 2002 under the terms of agreement with the NSTU and Province of Nova Scotia the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: 1% of each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia.

Continuity of Retirement Allowance Liability		**March 31, 2005**
Actuarial liability, August 1, 2004	$	1,703,308
Beginning unamortized gain (loss), liability		1,193,807
Beginning balance per financial statements	$	2,897,115
Current service cost (Retiring allowance expense)	$	83,900
Amortization of experience gains/losses		12,576
Retiring allowance expense	$	96,476
Estimated benefits paid	$	(143,000)
Interest expense-Service Awards-Teachers		63,500
Ending balance per Balance Sheet	$	2,914,091
Reconcilliation to actuarial report:		
Per actuaries	$	1,644,000
Unamortized gain/(loss)		1,270,091
	$	2,914,091

9. P-3 Operating Expenses

Forest Ridge Academy was opened for the 2000/01 school year and Meadowfields Community School was opened for the 1999/2000 year. All payments for the P3 leases are made by the Province to the private partner and contain both capital and operating component.

10. Salary Negotiations

At March 31, 2005, salary and wage agreements were not settled for:

- Canadian Union of Public Employees, Local 964
- Service Employees International Union, Local 902

Projected wage settlements have been accrued retroactive to April 1, 2004.

11. Accounting changes

(a) In adopting the new School Board Financial Handbook, the School Board has removed (written off) from the accounting records capital assets previously included on the financial statements of the Southwest Regional School Board, as sufficient historical costing information is not available. This change in accounting has decreased the school board's capital equity, as transferred from the Southwest Regional School Board, by $39,431,588 in 2005.

(b) The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching staff. This accounting change has no effect of the school board's annual surplus or its accumulated surplus as at March 31, 2005. A receivable from the Province of Nova Scotia has been accrued by the School Board equivalent to that amount of salaries and benefits accrued as a liability.

(c) Vacation pay for 12-month employees has been accrued as at March 31, 2005 and is recorded as a salary expense. This change has not been applied retroactively and has no effect on the annual surplus or the accumulated surplus as at March 31, 2005. A receivable from the Province of Nova Scotia has also been accrued by the School Board equivalent to that amount of vacation pay accrued.

Unaudited

VICTIMS' ASSISTANCE FUND

Balance Sheet
as at March 31, 2005

ASSETS

	2005	2004
Cash in Bank	$ 273,499.72	$ 336,740.19
Investments	299,022.00	399,272.00
	$ 572,521.72	$ 736,012.19

LIABILITIES

	2005	2004
Fund	$ 572,521.72	$ 736,012.19

Continuity of Fund
for the year ended March 31, 2005

	2005	2004
Balance, beginning of year	$ 736,012.19	$ 883,488.56
Receipts:		
Investment income	8,534.00	14,380.09
Bank interest	4,101.63	12,937.08
Deposits	994,349.74	943,196.17
Other	---	---
	1,006,985.37	970,513.34
Disbursements	(1,170,475.84)	(1,117,989.71)
Balance, end of year	$ 572,521.72	$ 736,012.19

Note to the Financial Statements
March 31, 2005

Investments at March 31, 2005 consists of the following investments:

$300,000.00 BNS Banker's Acceptance March 17 to May 3, 2005, 2.540%	$ 299,022.00

AUDITORS' REPORT

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited at March 31, 2005 and the statements of earnings 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, 2005, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
May 12, 2005

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statements of Earnings and Retained Earnings
Year Ended March 31, 2005

	2005	2004
Revenue		
Rents	$ 3,038,017	$ 3,032,921
Recoveries	243,393	9,759
Interest income	1,684	924
Other income	12,463	30,543
Grant revenue	262,444	130,732
	3,558,001	3,204,879
Property expenses		
Property taxes	22,005	16,203
Operating	1,064,803	890,083
Depreciation and amortization	305,733	300,432
	1,392,541	1,206,718
Tall Ships revenue (Page 676)	1,883,024	---
Tall Ships expense (Page 676)	1,765,046	---
	117,978	---
Income before other items	2,283,438	1,998,161
Corporate expenses		
Directors' fees and expenses	65,968	55,878
Doubtful accounts expense (recovery)	29,389	(26,845)
Office operations	73,808	80,658
Professional fees		
Audit	24,500	14,500
Programs	164,498	68,433
Legal fees (recovery)	32,305	(204,170)
Salaries, contracts and benefits	558,183	511,876
Waterfront promotions and public relations	48,053	43,796
	996,704	544,126
Loan interest	178,585	233,897
Depreciation on facilities for public access	80,186	92,000
Contribution to non-owned infrastructure	162,389	82,784
	421,160	408,681
Net earnings before appropriations	865,574	1,045,354
Transfer to Special Events and Festivals Fund (Note 8)	(250,000)	---
Transfer to Infrastructure Renewal Fund (Page 677)	(400,000)	(400,000)
Net earnings	215,574	645,354
Retained earnings, beginning of year	4,066,388	3,421,034
Retained earnings, end of year	$ 4,281,962	$ 4,066,388

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Balance Sheet
As at March 31, 2005

	2005	2004
ASSETS		
Current		
Cash and cash equivalents	$ 110,174	$ ---
Receivables - trade	291,810	684,709
Notes receivable (Note 3).	59,726	23,963
Prepaids	23,954	31,124
Deferred costs.	41,890	182,385
	527,554	922,181
Notes receivable (Note 3)	13,288	25,088
Real estate and development projects (Note 4)	27,749,493	27,405,676
Deferred pension costs	8,163	9,070
	$ 28,298,498	$ 28,362,015
LIABILITIES		
Current		
Bank indebtedness (Notes 5 and 9)	$ ---	$ 164,366
Payables and accruals	749,123	404,826
Deferred revenue (Note 6)	221,667	478,798
	970,790	1,047,990
Deferred revenue (Note 6)	1,909,766	1,610,989
Loan payable (Note 5)	5,295,647	6,355,364
	8,176,203	9,014,343
SHAREHOLDER'S EQUITY		
Capital stock (Note 7).	3	3
Contributed surplus	13,747,826	13,747,826
Special Events and Festivals Fund (Note 8 and Page 676)	250,000	---
Infrastructure Renewal Fund (Note 9 and Page 677)	1,842,504	1,533,455
Retained earnings	4,281,962	4,066,388
	20,122,295	19,347,672
	$ 28,298,498	$ 28,362,015

Commitments (Note 11)
Contingency (Note 13)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Cash Flows
Year Ended March 31, 2005

	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings before appropriation	$ 865,574	$ 1,045,354
Depreciation and amortization	385,919	392,432
	1,251,493	1,437,786
Change in non-cash operating working capital (Note 10)	885,768	(715,026)
	2,137,261	722,760
Financing		
Interest earned on Infrastructure Renewal Fund	46,950	45,517
Expenditures from Infrastructure Renewal Fund	(137,901)	(156,023)
Increase (decrease) in notes receivable	(23,963)	11,493
Decrease in loans payable	(1,059,717)	(300,000)
	(1,174,631)	(399,013)
Investing		
Purchase of equipment	(81,210)	(21,301)
Purchase of real estate and construction projects, net	(648,526)	(267,205)
Deferred revenue	41,646	161,373
	(688,090)	(127,133)
Net increase in cash and cash equivalents	274,540	196,614
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	(164,366)	(360,980)
End of year	$ 110,174	$ (164,366)

See accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2005

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is to service as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts, around Halifax Harbour.

2. Summary of significant accounting policies

Revenue recognition
Rent and recovery revenues are recorded on an accrual basis as earned.

Revenue generated as a result of property development is applied as a reduction in the cost. The Corporation receives amounts from third parties for dumping fill on a Corporation property. These amounts have been offset against accumulated development costs related to the property and the excess had been recorded as deferred revenue.

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation
All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Building and equipment
Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease
The cost of the lease referred to in Note 4 is amortized over its term.

Development costs
Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Real Estate and development projects
During the year the Corporation formalized a policy related to Section 3063 of the CICA Handbook, Impairment of Long-Lived Assets. This section affects how the Corporation determines and measures impairment. On an annual basis, the Corporation reviews the carrying amounts of properties held and and used in the fulfilling of its mandate. This includes both revenue producing properties as well as properties held for the greater public interest.

If a change in circumstances or occurrence of particular events indicate that such carrying values may be impaired the amount of the loss is determined by deducting the asset's fair value (as determined by an independent appraisal or comparison to objective market values of comparable properties) from its carrying value.

There are on going negotiations for potential development projects on the Bedford, Dartmouth and Halifax waterfronts. The outcome of these negotiations and the possible financial impact on fair market value of the existing land and buildings is indeterminable at this time.

Non-owned infrastructure
The Board of Directors approves expenditures related to improvements to facilities for public access which are not owned or leased by the Corporation. These expenditures are expensed as incurred.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents and bank indebtedness
Cash and cash equivalents, net of bank indebtedness, is comprised of cash on hand, cash held in banks and credit facilities as detailed in Note 5.

Financial instruments
The fair value of cash and cash equivalents, receivables, payables and accruals, and loans payable approximate their carrying amounts because of their short term to maturity.

Notes receivable are subject to credit risk. In management's opinion these risks are not significant.

3. Notes receivable

	2005	2004
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of $444 (due to lump sum payment), maturing June 2006.	$ 6,491	$ 23,889
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing March 2008.	7,934	10,162
Note receivable bearing interest at 6%, repayable in blended monthly payments of $554, maturing March 2007.	12,502	15,000
Note receivable bearing interest at 6%, repayable in blended monthly payments of $69, maturing April 2009. Repaid in full subsequent to year end..	3,601	---
Note receivable, non-interest bearing, to be repaid in annual instalments due November 1st of each year beginning in November 2005. Repaid in full subsequent to year end..	42,486	---
	73,014	49,051
Less: Current portion..	59,726	23,963
	$ 13,288	$ 25,088

4. Real estate and development projects

	Cost	Accumulated Depreciation	2005 Net Book Value	2004 Net Book Value
Facilities for public access	$ 6,869,393	$ 1,536,957	$ 5,332,436	$ 4,964,695
Real estate and development projects	27,254,991	4,837,934	22,417,057	22,440,981
	$ 34,124,384	$ 6,374,891	$ 27,749,493	$ 27,405,676

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Credit facility

(i) The Corporation has available a combined credit facility of $18,100,000, of which $14,500,000 is secured by a guarantee of the Province of Nova Scotia until February 15, 2007, bearing interest at the Bank of Montreal prime rate, less 0.95 percent. The additional $3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.

(ii) Loans payable

	2005	2004
Capital projects	$ 4,200,000	$ 4,600,000
Office of Economic Development, non-interest bearing	1,095,647	1,755,364
	$ 5,295,647	$ 6,355,364

The loan from the Office of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

Cash flows resulting from the following have been used temporarily to repay the loan related to capital projects. If segregated funding was required or costs incurred to finance related developments and activities, and the amount was drawn against the credit facility, the loan payable for capital projects would increase from $4,200,000 to $8,202, 270 and total loans to $9,297,517 as illustrated below:

	2005	2004
Capital Projects:		
Loan payable	$ 4,200,000	$ 4,600,000
Bedford infill (Note 6)	1,909,766	1,610,989
Special events and festival fund (Note 8)	250,000	---
Infrastructure Renewal Fund (Note 9 and Page 14).	1,842,504	1,533,455
	8,202,270	7,744,444
Office of Economic Development, non-interest bearing	1,095,247	1,755,364
	$ 9,297,517	$ 9,499,808

6. Deferred revenue

	2005	2004
Current		
Economic recovery studies an proposals	$ 66,667	$ 92,811
Deposits for project developments	155,000	---
Tall Ships Challenge 2004 sponsorships	---	385,987
	$ 221,667	$ 92,811
Long-term		
Bedford Infill	$ 1,909,766	$ 1,610,989

The Corporation receives amounts from third parties for dumping fill in Bedford. The intent is to develop the property and utilize this long-term deferred revenue in that development over future periods.

In the current year, amounts received on the Bedford infill exceeded costs incurred and, therefore, the excess was added to the deferred revenue. In the prior year, costs incurred on the Bedford infill exceeded the amounts received and therefore the excess was removed from the deferred revenue and applied against those costs.

7. Capital stock

	2005	2004
Authorized		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

8. Special events and festivals fund

The special events and festivals fund has been established to provide a source of initial funding for future events and festivals that the Corporation promotes.

The Corporation has not established a separate cash investment account for this fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 5). Any expenditures from this fund will be funded from the current credit facility.

9. Infrastructure renewal fund

The infrastructure renewal fund shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the fund based on the interest rate paid on the credit facility.

The Corporation has not established a separate cash investment account for the infrastructure renewal fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 5). Any expenditures from this fund will be funded from the current credit facility.

10. Supplemental cash flow information

Change in non-cash operating working capital

	2005	2004
Receivables - trade	$ 392,899	$ (479,205)
Prepaids	7,170	(24,177)
Deferred costs	140,495	(182,385)
Deferred pension costs	907	907
Payables and accruals	344,297	(30,166)
	$ 885,768	$ (715,026)

Cash and cash equivalents, net of bank indebtedness
is comprised of the following:

	2005	2004
Cash in bank account and on hand	$ 110,174	$ 4,180
Line of credit	---	(168,546)
	$ 110,174	$ (164,366)
Interest paid	$ 178,585	$ 233,897

11. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2006	$ 1,016
2007	1,016
2008	1,016
2009	1,016
2010	1,016

(ii) The Corporation has agreed to provide compensation, not to exceed $75,000, to replace fish habitat displaced as a result of infilling the Bedford Water lots.

12. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required payments for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 2003 and includes pension assets of $2,982,100,000, and pension liabilities of $3,474,900,000, resulting in an unfunded liability of ($492,800,000). The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

13. Contingencies

(i) Certain of the Corporation's claim over post-confederation waterlots are being disputed by the Halifax Port Authority. The Corporation is presently in discussions with the Halifax Port Authority to establish a memorandum of understanding. This could include a cash payment by the Corporation to the Halifax Port Authority to settle this dispute, or the swapping of Provincial lands not owned by the Corporation.

No legal action has taken place and the Corporation is hopeful of reaching a mutually agreeable settlement without legal intervention. The likelihood and amount of any cash payment is undeterminable at this time.

(ii) A contract exists with the Armour Group Limited respecting the Queen's Landing /Maritime Museum expansion project which establishes future commitments of the Corporation should the public portion of the development not proceed, the amount of which is undeterminable at this time.

(iii) The Corporation has been named in a claim presented to the courts, claiming breach of contract in respect of a purchase and sale agreement for land in Bedford, Nova Scotia. The outcome is undetermined at this time and no amounts have been recorded in these financial statements. It has been determined that the likelihood of success by the plaintiff is low, but should the claim be successful, the Corporation will seek reimbursement from the Province.

14. Comparative figures

Certain of the comparative figures have been reclassified to conform with presentation adopted in the current year.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Statement of Revenue and Expense
Tall Ships Challenge 2004
Year Ended March 31, 2005

		2004
Revenue		
Private sponsorship	$	471,196
Government grant and sponsorships		988,266
Boarding pass sales and other		423,562
		1,883,024
Expenses		
Administration		100,229
After ports program		436,246
ASTA fees		67,110
Fleet and crew		247,963
Insurance		20,985
Marketing		83,479
Property rental		54,000
Shore side/public viewing		356,656
Sponsor costs		48,778
Staff and management		317,646
Volunteer support		31,954
		1,765,046
Excess of revenue over expenditures	$	117,978

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Schedule of Revenue, Expenditures and Fund Balances
for the Infrastructure Renewal Fund
Year Ended March 31, 2005

	2005	2004
Revenue		
Interest	$ 46,950	$ 45,517
Expenditures		
Cable wharf upgrade	137,901	156,023
Deficiency of expense over revenue	$ (90,951)	$ (110,506)

	2005	2004
Fund Balance, beginning of year	$ 1,533,455	$ 1,243,961
Deficiency of expense over revenue	(90,951)	(110,506)
Transfer from operations	400,000	400,000
Fund Balance, end of year	$ 1,842,504	$ 1,533,455

AUDITORS' REPORT

To the Members of the Board of Directors
Workers' Compensation Board of Nova Scotia

We have audited the statements of financial position, operations, unfunded liability, and comprehensive income of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2004 and the statements of changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 WCB as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young, LLP
Chartered Accountants

Halifax, Nova Scotia
February 25, 2005

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Financial Position
as at December 31, 2004

	2004	2003
	(in thousands)	

ASSETS

	2004	2003
Cash and cash equivalents (Note 13)	$ 34,003	$ 29,570
Receivables (Note 4)	19,159	20,508
Investments (Note 5)	876,280	782,731
Property, equipment and other assets (Note 6)	10,025	11,887
	$ 939,467	$ 844,696

LIABILITIES

	2004	2003
Payables and accruals	$ 12,815	$ 11,341
Employee future benefits (Notes 7 and 16)	4,939	4,234
Benefits liabilities (Note 8)	1,279,639	1,241,072
	1,297,393	1,256,647
Accumulated other comprehensive income	47,575	---
Unfunded liability	(405,501)	(411,951)
	(357,926)	(411,951)
	$ 939,467	$ 844,696

Commitments (Note 15)

The accompanying notes are an integral part of the financial statements.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Operations
Year Ended December 31, 2004

	2004	2003
	(in thousands)	
Revenue		
Assessments (Notes 9 and 13)	$ 223,667	$ 216,114
Net investment income (Notes 5 and 13)	25,199	38,363
	248,866	254,477
Expenses		
Claims costs incurred (Notes 8 and 13)	136,664	126,662
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 8)	70,287	(13,784)
Administration costs (Notes 10 and 13)	29,978	26,777
Legislated obligations (Note 11)	9,491	8,146
	246,420	147,801
Excess of revenues over expenses before the following	2,446	106,676
Adjustment to benefits liabilities (Note 8)	---	168,328
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	$ 2,446	$ (61,652)

Statement of Unfunded Liability
Year Ended December 31, 2004

	2004	2003
	(in thousands)	
Unfunded liabilities, beginning of year	$ (411,951)	$ (350,299)
Change in accounting policy (Note 3)	4,004	---
	(407,947)	(350,299)
Excess of revenues over expenses (expenses over revenues) applied to reduce (increase) the unfunded liability	2,446	(61,652)
Unfunded liabilities, end of year	$ (405,501)	$ (411,951)

The accompanying notes are an integral part of the financial statements.

Statement of Comprehensive Income
Year Ended December 31, 2004

	2004 (in thousands)
Excess of revenues over expenses	$ 2,446
Other comprehensive income	
Unrealized gains on available-for-sale financial assets arising during the year	37,430
Reclassification of realized gains to the statement of operations	(2,327)
Net change in other comprehensive income for the year	35,103
Total comprehensive income	$ 37,549

Statement of Changes in Accumulated Other Comprehensive Income
Year Ended December 31, 2004

	2004 (in thousands)
Accumulated other comprehensive income, beginning of year	$ ---
Change in accounting policy (Note 3)	12,472
	12,472
Net change in other comprehensive income for the year	35,103
Accumulated other comprehensive income, end of year	$ 47,575

The accompanying notes are an integral part of the financial statements.

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Statement of Cash Flows
Year Ended December 31, 2004

	2004	2003
		(in thousands)
Operating Activities		
Cash received from:		
Employers, for assessments	$ 222,753	$ 211,372
Net investment income	25,219	22,700
	247,972	234,072
Cash paid to:		
Claimants or third parties on their behalf	(164,342)	(150,980)
Suppliers, for administrative and other goods and services	(36,642)	(34,698)
	(200,984)	(185,678)
Net cash provided by operating activities	46,988	48,394
Investing Activities		
Increase in investments, net	(41,969)	(51,670)
Cash paid for:		
Purchases of equipment	(586)	(468)
Net cash used in investing activities	(42,555)	(52,138)
Net increase (decrease) in cash and cash equivalents	4,433	(3,744)
Cash and cash equivalents, beginning of year	29,570	33,314
Cash and cash equivalents, end of year	$ 34,003	$ 29,570

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
Year Ended December 31, 2004 and 2003 (thousands of dollars)

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia ("the WCB") was established by the Nova Scotia Legislature in 1917, under the Workers' Compensation Act (the "Act"), and as such is exempt from income tax. The WCB is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new Act received Royal Assent on February 6, 1995. Amendments to the Act received Royal Assent on April 16, 1999. Further amendments to the Act received Royal Assent on May 30, 2002 and November 28, 2002.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles, within the framework of the following accounting policies:

a) Cash and Cash Equivalents

Money market instruments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

b) Assessments Receivable

Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

c) Investments

Securities held in the investment portfolio are designated as available-for-sale financial assets, and are carried at fair market value. Unrealized gains and losses arising from the change in fair value of an investment are recorded in other comprehensive income until the investment is sold. At this time, the cumulative unrealized gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income and included in the excess of revenues over expenses (expenses over revenues) for the period. Income from interest and dividends is recognized in the period earned, and is presented net of investment expenses.

Where it is determined that there is objective evidence of a permanent decline in the fair value of a financial asset, the cumulative loss that had been recognized directly in other comprehensive income is removed from accumulated other comprehensive income and included in income even though the asset has not been sold.

d) Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, and 5 to 10 years for furniture and facilities, equipment and computer hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development costs and on a declining balance basis at an annual rate of 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

e) Other Assets

Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

f) Employee Future Benefits

Costs for employee future benefits, other than pensions are accrued over the periods during which the employees render services in return for these benefits. The corridor approach is used to record actuarial gains and losses. Under this approach, if the gains or losses exceed 10% of the greater of the plan assets or liabilities, the excess amount is amortized on a straight-line basis over the employees average remaining service life.

g) Benefits Liabilities

An independent actuary completes a valuation of the benefits liabilities of the WCB at each year-end. The benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and for future costs of administering existing claims. Changes to the benefits liability arising from growth in present value, changes in actuarial assumptions and actuarial experience adjustments are recognized in expense annually based on the year end actuarial valuation. No provision has been made for future claims related to occupational disease.

h) Foreign Currency Translation

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for investments.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, specifically benefits liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ materially from those estimates. Decisions of the WCB may be appealed to the Workers' Compensation Appeals Tribunal, subsequently to the Nova Scotia Court of Appeal and finally to the Supreme Court of Canada. Rulings by these bodies may have the potential to impact benefits liabilities.

j) Financial Instruments

The carrying values of WCB's financial instruments approximate fair values because of their short-term maturity and normal credit terms.

The WCB's accounts receivable are not subject to significant concentration of credit risk because the accounts are owed by a large number of employers, the Province of Nova Scotia and the Federal Government on normal credit terms. At December 31, 2004 and 2003 the WCB did not have any exposure relating to derivative instruments.

k) Comparative Figures

Certain 2003 comparative figures have been reclassified to conform with the 2004 presentation.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2004, the WCB changed its accounting policy for investments, based on the new CICA Handbook Section 3855 "Financial Instruments - Recognition and Measurement". The adoption of Section 3855 necessitates the adoption of Sections 1530 - "Comprehensive Income" and Section 3865 "Hedges". Section 1530 represents a new requirement to present certain gains and losses outside of the statement of operations into a separate statement of comprehensive income. Section 3865 regarding hedges has no impact at this time.

Previously financial instruments were recorded at cost adjusted toward market value using the moving average market method. Under the previous policy, unrealized and realized gains and losses were deferred and amortized on a straight-line basis over five years, while interest and dividend income were recognized in the period earned. Under the new policy, all investments are designated as available-for-sale, and are carried at fair value. Realized gains and losses are recognized as investment income in the year in which they occur. Unrealized gains and losses are recognized in other comprehensive income until the investment is sold. This change has been applied prospectively, as required by Section 3855. Investments at January 1, 2004 were adjusted from a carrying value of $782,731 to a fair value of $799,207. The $4,004 of deferred realized gains have been adjusted to the opening balance of the unfunded liability while the $12,472 of deferred unrealized gains have been adjusted to the opening balance of the statement of changes in accumulated other comprehensive income.

The previously published quarterly financial statements have been restated to reflect the change in accounting policy. The opening balance and quarterly financial statements for 2004 have been restated to reflect the changes in investments, interest receivable, accumulated other comprehensive income, the unfunded liability and investment income as follows:

	Jan. 1	**Mar. 31**	**June 30**	**Sept. 30**
Increase in investments . . . . $	16,476 $	33,076 $	30,039 $	17,271
Interest receivable	---	72	48	75
Accumulated other investment income	(12,472)	(27,151)	(25,099)	(7,912)
Decrease unfunded liability . . . . $	4,004 $	5,997 $	4,988 $	9,434
Increase in investment income	$	1,994 $	984 $	5,430

4. RECEIVABLES

	2004	2003
	(in thousands)	
Assessments	$ 17,037	$ 15,704
Self-insured employers	4,847	7,570
Assessments receivable	21,884	23,274
Self-insured employers - deposits	(3,987)	(4,001)
Harmonized Sales Tax rebate	268	218
Other	994	1,017
	$ 19,159	$ 20,508

Assessments receivable are net of an allowance for doubtful accounts of $1,954 in 2004 (2003 -$1,950). Other receivables are net of an allowance for doubtful accounts of $190 in 2004 (2003 - $142).

5. INVESTMENTS

	2004 Fair Market Value	2003 Carrying Value	2003 Fair Market Value
		(in thousands)	
Money market	$ 19,674	$ 27,276	$ 27,276
Fixed-term investments	312,214	257,748	263,980
Equities	543,473	500,003	506,243
Accrued interest	919	1,708	1,708
	876,280	786,735	799,207
Deferred realized investment and foreign exchange gains	---	(4,004)	---
Total	$ 876,280	$ 782,731	$ 799,207

Deferred realized investment and foreign exchange gains

	2004	2003
		(In thousands)
Balance, beginning of year	$ ---	$ 6,595
Realized net gains for the year	---	7,181
	---	$ 13,776
Amortization of deferred realized investment gains	---	(9,772)
Balance, end of year	$ ---	$ 4,004

Investment Income

	2004	2003
Interest and dividends	$ 23,837	$ 20,876
Realized gains from the statement of comprehensive income	2,327	---
Amortization of deferred realized investment gains	---	9,772
Amortization of deferred unrealized investment gains	---	8,561
	$ 26,164	$ 39,209
Less: Portfolio management expenses	(965)	(846)
Total Investment Income	$ 25,199	$ 38,363

6. PROPERTY, EQUIPMENT AND OTHER ASSETS

	2004 Cost	2004 Accumulated Amortization	2004 Net Book Value (in thousands)
Land	$ 155	$ ---	$ 155
Building	3,443	1,654	1,789
Furniture and facilities	2,548	1,057	1,491
Equipment and computer hardware	2,174	1,536	638
Software and process development costs	14,169	9,717	4,452
Other Assets (a)	3,750	2,250	1,500
	$ 26,239	$ 16,214	$ 10,025

	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value (in thousands)
Land	$ 155	$ ---	$ 155
Building	3,440	1,520	1,920
Furniture and facilities	2,472	967	1,505
Equipment and computer hardware	2,651	1,958	693
Software and process development costs	14,126	8,162	5,964
Other assets (a)	3,750	2,100	1,650
	$ 26,594	$ 14,707	$ 11,887

a) During 1990, the WCB paid $3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16-bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

7. EMPLOYEE FUTURE BENEFITS

The WCB provides for employee future benefits other than pensions (Note 16) consisting of retirement allowances, and post employment life insurance, dental and medical programs. An actuarial valuation was performed as at December 31, 2003, with the next planned valuation to be performed as at December 31, 2006.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations as at December 31 are as follows:

	2004	2003
Discount Rate	6.25%	6.75%
Expected health-care costs trend rate: decreasing annually by 1% increments to an ultimate rate of 5%	10%	7%
Drug claim increases trend rate: decreasing annually by 1% increments to an ultimate rate of 6%	12%	9%
Dental cost escalation	3.5%	3.5%
Retirement age assumption	59 years	59 years

	2004	2003
	(in thousands)	
Accrued Benefit Obligation		
Beginning of year	$ 4,234	$ 3,838
Current service costs	494	254
Interest costs	373	198
Benefits paid	(216)	(56)
Actuarial loss.	1,316	---
End of year.	$ 6,201	$ 4,234
Funded Status		
Plan deficit	$ 6,201	$ 4,234
Unamortized net actuarial loss	(1,262)	---
Accrued employee future benefits liability	$ 4,939	$ 4,234
Net benefit expense		
Current service costs	$ 494	$ 254
Interest costs	373	198
Amortization of net actuarial loss	54	---
Net employee future benefits expense	$ 921	$ 452

8. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2004
Balance, beginning of year	$ 63,729	$ 831,643	$ 124,266	$ 141,576	$ 8,757	$ 1,169,971	$ 71,101	$ 1,241,072
Growth in present value of benefits liabilities	4,640	49,853	9,050	10,508	662	74,713	4,552	79,265
Change in actuarial assumptions (a)	---	18,065	175	4,023	196	22,459	1,338	23,797
Actuarial experience adjustments (b)	1,765	(37,773)	1,108	5,442	(949)	(30,407)	(2,368)	(32,775)
	6,405	30,145	10,333	19,973	(91)	66,765	3,522	70,287
Claims costs incurred	44,049	51,738	6,849	32,456	1,572	136,664	6,576	143,240
Claims payments made	(47,762)	(68,003)	(14,047)	(35,384)	(1,436)	(166,632)	(8,328)	(174,960)
Balance, end of year	$ 66,421	$ 845,523	$ 127,401	$ 158,621	$ 8,802	$ 1,206,768	$ 72,871	$ 1,279,639

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Subtotal	Claims Administration	Total 2003
Balance, beginning of year	$ 64,161	$ 734,739	$ 121,835	$ 119,291	$ 10,453	$ 1,050,479	$ 63,967	$ 1,114,446
Growth in present value of benefits liabilities	4,701	54,639	8,813	8,846	794	77,793	4,743	82,536
Change in actuarial assumptions (a)	---	(87,907)	(544)	7,005	284	(81,162)	(4,942)	(86,104)
Actuarial experience adjustments (b)	(2,182)	(16,188)	2,823	9,116	(3,035)	(9,466)	(750)	(10,216)
	2,519	(49,456)	11,092	24,967	(1,957)	(12,835)	(949)	(13,784)
Claims costs incurred	39,776	50,116	4,755	29,971	2,044	126,662	6,122	132,784
Claims payments made	(42,727)	(62,556)	(13,416)	(32,653)	(1,783)	(153,135)	(7,567)	(160,702)
Adjustments to Benefits liabilities (c)	---	158,800	---	---	---	158,800	9,528	168,328
Balance, end of year	$ 63,729	$ 831,643	$ 124,266	$ 141,576	$ 8,757	$ 1,169,971	$ 71,101	$ 1,241,072

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer Price Index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

2003 and 2004 Category	Inflation Formula	Resulting Inflation Rate	Resulting Net Interest Rate
Supplementary Benefits	0.5% + CPI	4.5%	3.0%
LTD, Survivor Pensions	50% * CPI	2.0%	5.5%
Medical Aid, Rehibilitation			
and non-income*	1.75% + CPI	5.75%	1.75%
*2002 Assumption	1.5% + CPI	5.5%	2.5%
All others	CPI	4.0%	3.5%

The WCB's independent actuaries, in their report of February 24, 2005, have noted that limited claims experience is available in respect of earnings-loss benefits to be granted in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities for earnings-loss benefits to be granted in the future is $300,000.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

a) In 2004, changes were made in the actuarial assumptions increasing the overall benefits liabilities by $23,797. The changes included;

- Provisions for payments relating to medical claims increased the liability by $4,200, as a result of increasing the cost increase assumption from 1.5% to 1.75% greater than the Consumer Price Index.
- Based on experience, the liability for Permanent Impairment Benefit and Extended Earnings Replacement Benefit awards was increased by $19,600 reflecting changes to the expected average age at injury date.

In 2003, changes were made in the actuarial assumptions reducing the overall benefits liabilities by $86,104. The changes included;

- Provisions for payments relating to medical claims increased the liability by $7,700, as a result of increasing the cost increase assumption from 1.0% to 1.5% greater than the Consumer Price Index.
- Based on experience, the liability for pending claims was reduced by $118,600 with the introduction of new claims run off tables for the number of potential new Extended Earnings Replacement Benefit claims.
- Based on experience, the liability for Permanent Impairment Benefit and Extended Earnings Replacement Benefit awards was increased by $24,800 reflecting changes to the expected average benefit amount and average age at injury date.

(b) Actuarial experience adjustments represent the difference between what wais predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred in the year.

(c) On October 3, 2003 the Supreme Court of Canada found that certain sections of the Workers' Compensation Act, relating to compensation for chronic pain, are unconstitutional. The Supreme Court further ruled that the unconstitutional sections of the Act and policies relating to chronic pain benefits were to be removed by April 3, 2004. There is a high probability that the changes associated with the regulations and policies will result in costs that will increase the benefits liability, however the magnitude of the costs are not yet determinable. Current estimates of the increase in liabilities for all employers range from $198,500 to $316,400. As described in Note 12, the benefits liabilities related to self-insured employers are not included in the WCB's benefits liabilities account. Current estimates of the increase in liabilities excluding the self-insured employer portion range from $158,800 to $253,000. No amount within the range is indicated as a better estimate than any other. The lower end of this range is included in the benefits liabilities of the current year financial statements with an additional $9,528 for future claims administration for a total of $168,328. The 2004 valuation estimate is unchanged from the $168,328 estimate made in 2003.

Regulations were passed in July 2004 and policies were passed in September 2004 reflecting the Supreme Court decision.

9. ASSESSMENTS

	2004	2003
	(in thousands)	
Assessed employers	$ 189,444	$ 182,795
Self-insured employers (Note 12)	32,520	31,593
Assessment and reporting penalties	1,229	1,259
Premium adjustment charge	474	467
	$ 223,667	$ 216,114

Assessment revenue is shown net of bad debt expense of $1,056 in 2004 (2003-$1,333).

10. ADMINISTRATION COSTS

	2004	2003
	(in thousands)	
Salaries and staff expense	$ 22,455	$ 19,507
Amortization	2,444	2,611
Services contracted	1,594	1,502
Communications	1,520	717
Building operations	1,435	1,337
Supplies	974	856
Travel and accommodations	527	489
Training and development	458	455
Professional fees	281	700
Equipment rental	29	29
Miscellaneous	13	19
	$ 31,730	$ 28,222
Decrease in liability for future administration costs	(1,752)	(1,445)
	$ 29,978	$ 26,777

11. LEGISLATED OBLIGATIONS

	2004	2003
	(in thousands)	
Occupational Health and Safety	$ 5,851	$ 4,531
Workers' Compensation Appeals Tribunal	1,301	1,478
Workers' Advisers Program	2,264	2,062
Injured Workers' Associations	75	75
	$ 9,491	$ 8,146

The WCB is required by the Act to reimburse the Province of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of Nova Scotia Environment and Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

Injured workers' associations provide advice and assistance to workers on workers' compensation issues. The WCB is required by the Act to provide funding to injured workers' associations on such terms and conditions as the Minister of Environment and Labour deems appropriate or the Governor in Council prescribes.

12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers - federal and provincial government bodies and former bodies - who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	2004	2003
	(in thousands)	
Revenue	$ 32,521	$ 31,593
Claims costs incurred		
Short-term disability	$ 4,296	$ 4,396
Long-term disability	15,931	15,223
Survivor benefits	3,045	3,021
Health care	4,433	4,187
Rehabilitation	122	200
	27,827	27,027
Administration costs	4,694	4,566
	$ 32,521	$ 31,593

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. One employer has reached an agreement with the WCB and the WCB is continuing to negotiate the transitional arrangements related to benefits liabilities for injuries occurring on or before the date they ceased to be self-insured with the three remaining employers.

13. RELATED PARTY TRANSACTIONS

The WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

	2004	2003
	(in thousands)	
Revenue	$ 3,909	$ 3,956
Claims costs incurred	$ 3,139	$ 3,247
Administration costs	770	709
	$ 3,909	$ 3,956

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2004, the amount receivable from the Province of Nova Scotia was $596 (2003 - $440).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled $748 in 2004 (2003 - $823). Total funds invested in notes due from the Province as at December 31, 2004 were $25,000 (2003 - $19,000) bearing an average interest rate of 2.48% (2003 - 2.71%).

14. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

Industry	Payee	2004	2003
		(in thousands)	
Construction	Nova Scotia Construction Safety Association	$ 819	$ 850
Forestry	Forestry Safety Society	$ 276	$ 282
Trucking	Nova Scotia Trucking Safety Association	$ 208	$ 215
Retail Gasoline	Retail Gasoline Dealers' Association	$ 20	$ 23

15. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

		(in thousands)
2005	$	929
2006	$	880
2007	$	850
2008	$	798
2009	$	646
	$	4,103

16. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2004 were $1,115 (2003 - $951) and are recognized as an expense in the period. The WCB is not obligated for any unfunded liability, nor does the WCB have any entitlement to any surplus that may arise in this Plan.