

**PUBLIC ACCOUNTS**  
OF THE  
**PROVINCE OF NOVA SCOTIA**  
FOR THE  
**Fiscal Year Ended March 31**  
**1997**

**VOLUME 2 - AGENCIES AND FUNDS**

PRINTED BY ORDER OF THE LEGISLATURE



Nova Scotia

HALIFAX, N.S.  
1997



---

**PROVINCE OF NOVA SCOTIA**
**TABLE OF CONTENTS****AGENCIES AND FUNDS**

Art Gallery of Nova Scotia . . . . .	5
Check Inns Limited . . . . .	18
Environmental Trust Fund . . . . .	23
Fisheries and Aquaculture Development Fund . . . . .	28
Gross Revenue Insurance Plan - Revenue Protection Component . . . . .	33
Highway 104 Western Alignment Corporation . . . . .	37
Housing Development Corporation . . . . .	45
Housing Development Fund . . . . .	54
Industrial Expansion Fund . . . . .	61
Insured Prescription Drug Plan Trust Fund . . . . .	70
Law Reform Commission . . . . .	75
Members' Retiring Allowance Account . . . . .	79
Nova Scotia Business Development Corporation . . . . .	83
Nova Scotia Crop and Livestock Insurance Commission . . . . .	90
Nova Scotia Farm Loan Board . . . . .	97
Nova Scotia Film Development Corporation . . . . .	103
Nova Scotia Gaming Corporation . . . . .	110
Nova Scotia Grain and Forage Commission . . . . .	129
Nova Scotia Hospital . . . . .	135
Nova Scotia Innovation Corporation . . . . .	146
Nova Scotia Legal Aid Commission . . . . .	159
Nova Scotia Liquor Commission . . . . .	167
Nova Scotia Municipal Finance Corporation . . . . .	174
Nova Scotia Police Commission . . . . .	182
Nova Scotia Power Finance Corporation . . . . .	187
Nova Scotia Primary Forest Products Marketing Board . . . . .	195
Nova Scotia Resources Limited . . . . .	200
Nova Scotia Talent Trust . . . . .	209
Nova Scotia Teachers' Pension Fund . . . . .	213
Nova Scotia Utility and Review Board . . . . .	222
Provincial Community Pasture Board . . . . .	230
Provincial Resort Hotels . . . . .	235
Public Archives . . . . .	236
Public Service Superannuation Fund . . . . .	241
Public Trustee . . . . .	250
Queen Elizabeth II Health Sciences Centre . . . . .	255
Resource Recovery Fund Board Inc. . . . .	273
Sherbrooke Restoration Commission . . . . .	281
Trade Centre Limited . . . . .	290
Transportation Trust Fund . . . . .	300
Upper Clements Family Theme Park Limited . . . . .	302
Victims' Assistance Fund . . . . .	306
Waterfront Development Corporation Limited . . . . .	308



**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, 1997  |
| Gallery and Gallery Shop   | - Balance Sheet as at March 31, 1997   |
| Gallery                    | - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1997   |
| Gallery Shop               | - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1997   |
| Endowment Fund             | - Balance Sheet as at March 31, 1997<br>- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1997 |
| Acquisition Fund           | - Balance Sheet as at March 31, 1997<br>- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 1997 |

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 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, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

ERNST & YOUNG  
Chartered Accountants

Halifax, Nova Scotia  
April 25, 1997

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Combined Balance Sheet**

**as at March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents . . . . .	\$ 285,929	\$ 28,922
Accounts receivable . . . . .	154,438	31,667
Inventory . . . . .	107,369	33,072
Prepaid expenses . . . . .	<u>---</u>	<u>1,168</u>
	547,736	94,829
 Investments (Market value - \$2,189,784; 1996 - \$2,125,625) . . . . .	 <u>1,694,969</u>	 <u>1,827,655</u>
	<u>\$ 2,242,705</u>	<u>\$ 1,922,484</u>

**LIABILITIES AND SURPLUS**

<b>Current</b>		
Accounts payable and accrued liabilities . . . . .	\$ 155,728	\$ 70,644
Deferred revenue . . . . .	<u>18,000</u>	<u>24,306</u>
	173,728	94,950
 Surplus - Gallery . . . . .	 5,861	 5,359
Surplus - Gallery Shop . . . . .	49,543	4,989
Surplus - Endowment Fund . . . . .	2,019,280	1,861,401
Deficit - Acquisition Fund . . . . .	<u>(5,707)</u>	<u>(44,215)</u>
	<u>2,068,977</u>	<u>1,827,534</u>
	<u>\$ 2,242,705</u>	<u>\$ 1,922,484</u>

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**  
**Gallery and Gallery Shop**

**Balance Sheet**

as at March 31, 1997

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Cash . . . . .	\$ ---	\$ 5,370
Accounts receivable . . . . .	124,438	31,667
Due from Endowment and Acquisition Funds . . . . .	40,623	45,623
Inventory . . . . .	<u>92,592</u>	<u>17,349</u>
	<u>\$ 257,653</u>	<u>\$ 100,009</u>

**LIABILITIES AND SURPLUS**

<b>Current</b>		
Bank indebtedness . . . . .	\$ 32,306	\$ ---
Accounts payable and accrued liabilities . . . . .	151,943	65,355
Deferred revenue . . . . .	<u>18,000</u>	<u>24,306</u>
	202,249	89,661
Surplus - Gallery . . . . .	5,861	5,359
Surplus - Gallery Shop . . . . .	<u>49,543</u>	<u>4,989</u>
	<u>55,404</u>	<u>10,348</u>
	<u>\$ 257,653</u>	<u>\$ 100,009</u>

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Gallery**

**Statement of Revenue, Expenditures and Surplus**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Revenue</b>		
Province of Nova Scotia (Note 2)		
- Operating . . . . . \$	1,204,000 \$	1,204,000
Sponsorships . . . . .	222,991	112,660
Special grants (Note 2) . . . . .	111,309	60,759
Donations		
- Arts appeal . . . . .	39,252	39,380
- Other . . . . .	52,012	600
Contribution from Endowment Fund . . . . .	75,000	---
Special events . . . . .	66,818	50,757
Other income . . . . .	35,238	42,728
Membership . . . . .	27,922	31,535
Corporate campaign . . . . .	24,241	21,141
Admission . . . . .	24,000	19,576
Public Education Programs . . . . .	21,717	19,110
Interest . . . . .	11,444	23,405
Building fund . . . . .	6,000	7,500
	<u>1,921,944</u>	<u>1,633,151</u>
<b>Expenditures (Schedule)</b>		
Salaries and benefits . . . . .	659,437	638,319
Program development . . . . .	516,395	297,013
Building operations . . . . .	495,087	512,489
Administration . . . . .	145,809	130,389
Technology/capital purchases . . . . .	75,951	17,100
Printing and publications . . . . .	18,799	28,731
Miscellaneous . . . . .	9,964	8,208
	<u>1,921,442</u>	<u>1,632,249</u>
<b>Excess of revenue over expenditures for the year . . . . .</b>	<b>502</b>	<b>902</b>
Surplus, beginning of year . . . . .	5,359	4,457
<b>Surplus, end of year . . . . . \$</b>	<b><u>5,861</u></b>	<b><u>5,359</u></b>

See accompanying notes



**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Gallery**

**Schedule of Expenditures**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Salaries and Benefits</b>		
Salaries and employee benefits . . . . .	\$ 659,437	\$ 638,319
<b>Program Development</b>		
Programs . . . . .	292,554	185,895
Maud Lewis event . . . . .	133,047	35,329
Development/Public relations . . . . .	75,168	59,651
Workshop supplies . . . . .	7,899	8,346
Vehicle . . . . .	4,594	4,170
Collections management and gallery services . . . . .	2,151	1,306
Conservation lab . . . . .	982	2,316
	<u>516,395</u>	<u>297,013</u>
<b>Building Operations</b>		
Utilities . . . . .	181,606	192,632
Security . . . . .	125,959	118,341
Climate control . . . . .	93,048	92,298
Building maintenance and cleaning . . . . .	38,407	45,793
Insurance . . . . .	34,795	34,817
Building repairs . . . . .	16,960	20,482
Elevator maintenance . . . . .	4,312	8,126
	<u>495,087</u>	<u>512,489</u>
<b>Administration</b>		
Stationery and postage . . . . .	46,203	42,967
Telephone . . . . .	26,368	26,661
Travel . . . . .	25,070	26,061
Yarmouth Branch Gallery . . . . .	17,207	---
Equipment rental . . . . .	7,900	5,700
Professional fees . . . . .	7,260	9,450
Receptions . . . . .	4,349	6,870
Memberships . . . . .	4,162	4,709
Administration promotional . . . . .	3,256	2,064
Delivery administration . . . . .	2,048	1,491
Equipment maintenance . . . . .	1,986	4,386
Staff development . . . . .	---	30
	<u>145,809</u>	<u>130,389</u>

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Gallery**

**Schedule of Expenditures (Cont'd)**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Technology/Capital Purchases</b>		
Technology/capital purchases .....	<u>75,951</u>	<u>17,100</u>
<b>Printing and Publication</b>		
Printing and publication .....	17,128	27,831
Photography .....	<u>1,671</u>	<u>900</u>
	<u>18,799</u>	<u>28,731</u>
<b>Miscellaneous</b>		
Miscellaneous .....	6,873	4,946
Bank charges .....	<u>3,091</u>	<u>3,262</u>
	<u>9,964</u>	<u>8,208</u>
<b>Total Expenditures .....</b>	<u>\$ 1,921,442</u>	<u>\$ 1,632,249</u>

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Gallery Shop**

**Statement of Revenue, Expenditures and Surplus**

**for the year ended March 31, 1997**

	1997	1996
<b>Revenue</b>		
Art and craft sales . . . . .	\$ 142,241	\$ 34,859
Art and craft sales on consignment . . . . .	62,916	46,364
Books, notes and posters . . . . .	19,352	17,225
	224,509	98,448
Cost of sales . . . . .	102,231	56,747
<b>Gross profit</b> . . . . .	122,278	41,701
 <b>Expenditures</b>		
Salaries and employee benefits . . . . .	54,588	36,793
Office and administration . . . . .	8,765	12,426
Members' discount . . . . .	4,371	4,221
	67,724	53,440
 <b>Excess (deficiency) of gross profit over expenditures</b>		
<b>for the year</b> . . . . .	54,554	(11,739)
Surplus, beginning of year . . . . .	4,989	16,728
Contribution to Acquisition Fund (Maud Lewis House) . . . . .	(10,000)	---
<b>Surplus, end of year</b> . . . . .	\$ 49,543	\$ 4,989

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Endowment Fund**

**Balance Sheet**

**as at March 31, 1997**

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents . . . . .	\$ 309,175	\$ 19,121
Prepaid expenses . . . . .	---	1,168
Due from acquisition fund . . . . .	16,200	16,200
	325,375	36,489
Investment (market value - \$2,189,784; 1996- \$2,125,625) . . . . .	1,694,969	1,827,655
	\$ 2,020,344	\$ 1,864,144

**LIABILITIES AND SURPLUS**

<b>Current</b>		
Accounts payable . . . . .	\$ 1,064	\$ 2,743
Due to Gallery . . . . .	---	---
	1,064	2,743
Restricted surplus, Phase II expansion . . . . .	300,222	---
Unrestricted surplus . . . . .	1,719,058	1,861,401
	2,019,280	1,861,401
	\$ 2,020,344	\$ 1,864,144

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Endowment Fund**

**Statement of Revenue, Expenditures and Surplus**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Revenue</b>		
Phase II expansion . . . . .	\$ 305,000	\$ ---
Investment income . . . . .	45,191	20,206
Life memberships . . . . .	12,000	30,000
Gallery endowments. . . . .	3,811	125,000
Marguerite Zwicker bequest . . . . .	---	9,939
Other donations . . . . .	---	3,125
	<u>366,002</u>	<u>188,270</u>
<b>Expenditures</b>		
Salaries . . . . .	38,000	38,000
Rent . . . . .	12,000	11,278
Life membership servicing. . . . .	11,341	10,054
Administration . . . . .	6,107	19,877
Phase II expansion . . . . .	4,778	---
Receptions. . . . .	3,459	3,528
Promotion and public relations. . . . .	2,567	2,763
Trustee fees. . . . .	2,336	17,316
Gallery Endowment expenses. . . . .	1,325	14,988
Printing and postage . . . . .	643	867
Miscellaneous. . . . .	567	19
Loss on sale of securities . . . . .	---	6,817
	<u>83,123</u>	<u>125,507</u>
<b>Excess of revenue over expenditures for the year. . . . .</b>	<b>282,879</b>	<b>62,763</b>
Surplus, beginning of year . . . . .	1,861,401	1,868,638
	<u>2,144,280</u>	<u>1,931,401</u>
Contribution to Gallery. . . . .	(75,000)	---
Contribution to Acquisition Fund. . . . .	(50,000)	(70,000)
Restricted surplus, Phase II expansion. . . . .	(300,222)	---
<b>Unrestricted surplus, end of year . . . . .</b>	<b>\$ 1,719,058</b>	<b>\$ 1,861,401</b>

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Acquisition Fund**

**Balance Sheet**

**as at March 31, 1997**

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Cash.....	\$ 9,060	\$ 4,431
Accounts receivable.....	30,000	---
Inventory.....	14,777	15,723
Due from Gallery Shop.....	10,000	---
	<u>\$ 63,837</u>	<u>\$ 20,154</u>

**LIABILITIES AND DEFICIT**

<b>Current</b>		
Accounts payable.....	\$ 2,721	\$ 2,546
Due to Gallery and Endowment Funds.....	<u>66,823</u>	<u>61,823</u>
	69,544	64,369
Deficit.....	<u>(5,707)</u>	<u>(44,215)</u>
	<u>\$ 63,837</u>	<u>\$ 20,154</u>

See accompanying notes

**PROVINCE OF NOVA SCOTIA**  
**ART GALLERY OF NOVA SCOTIA**

**Acquisition Fund**

**Statement of Revenue, Expenditures and Deficit**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Revenue</b>		
Donations:		
Art Sales and Rental Society . . . . . \$	14,000 \$	6,700
Bequest . . . . .	10,000	---
Volunteer committee . . . . .	8,000	20,000
Other . . . . .	22,801	17,041
Contribution from Endowment fund . . . . .	50,000	70,000
Maud Lewis House . . . . .	34,389	---
Sculpture project grant . . . . .	30,000	40,000
Evan Petley-Jones Fund . . . . .	13,005	---
Contribution from Gallery Shop . . . . .	10,000	---
Arts Appeal . . . . .	2,930	1,350
John Poad Drake project . . . . .	1,454	68,900
NSCAD archive project . . . . .	1,000	---
Interest . . . . .	649	962
Miscellaneous income . . . . .	---	1,964
	<u>198,228</u>	<u>226,917</u>
<b>Expenditures</b>		
Acquisitions . . . . .	111,917	120,733
Maud Lewis House . . . . .	25,607	36
Appraisal and professional fees . . . . .	8,978	4,001
Insurance . . . . .	5,000	5,000
Promotion . . . . .	3,054	5,672
Shipping . . . . .	2,327	1,994
Administration . . . . .	1,128	12,970
Ceramics Gallery . . . . .	786	752
Miscellaneous . . . . .	410	1,898
John Poad Drake expense . . . . .	336	6,783
Bank charges . . . . .	107	306
Sculpture competition . . . . .	70	86,771
	<u>159,720</u>	<u>246,916</u>
<b>Excess (deficiency) of revenue over expenditures for the year . . . . .</b>	<b>38,508</b>	<b>(19,999)</b>
Deficit, beginning of year . . . . .	(44,215)	(24,216)
<b>Deficit, end of year . . . . .</b>	<b>\$ (5,707)</b>	<b>\$ (44,215)</b>

See accompanying notes

**PROVINCE OF NOVA SCOTIA**

**ART GALLERY OF NOVA SCOTIA**

**Gallery, Gallery Shop, Endowment Fund, Acquisition Fund**

**Notes to Financial Statements**

**for the year ended March 31, 1997**

**1. Significant Accounting Policies**

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

**Inventory**

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

**Investments**

Investments are recorded at cost. Income is recognized on the settlement date.

**Revenue recognition**

Revenue from donations is recognized when received. All other revenue, with the exception of investment income, 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 \$111,917 (1996 - \$120,733).

**2. Government Assistance**

During the year the Art Gallery of Nova Scotia recognized revenue from provincial government grants from the Nova Scotia Department of Education and Culture in the amount of \$1,204,000 (1996 - \$1,204,000) and federal government and other grants as follows:

	<b>1997</b>	<b>1996</b>
Federal Department of Canadian Heritage . . . . .	\$ 70,509	\$ 44,459
Halifax Regional Municipality . . . . .	25,000	---
The Canada Council . . . . .	15,000	16,300
Nova Scotia College of Art & Design . . . . .	800	---
	<u>\$ 111,309</u>	<u>\$ 60,759</u>



**3. 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.

**4. Income Tax**

The Art Gallery of Nova Scotia is an incorporated agency of the Province of Nova Scotia and accordingly is exempt from income tax.

**5. Comparative Amounts**

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

**AUDITORS' REPORT**

To the Shareholder of  
Check Inns Limited

We have audited the balance sheet of Check Inns Limited as at March 31, 1997, and the statements of loss and retained earnings and changes in financial position 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 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, 1997, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND  
Chartered Accountants

Halifax, Canada  
September 8, 1997

## PROVINCE OF NOVA SCOTIA

## CHECK INNS LIMITED

## BALANCE SHEET

March 31, 1997

## ASSETS

	1997	1996
Current		
Cash .....	\$ 1,937	\$ 4,720
Receivable		
Economic Renewal Agency .....	---	118,076
	<u>1,937</u>	<u>122,796</u>
Computer equipment (Note 3) .....	<u>221,040</u>	<u>138,320</u>
	<u>\$ 222,977</u>	<u>\$ 261,116</u>

## LIABILITIES

Current		
Payables and accruals		
Trade .....	\$ 3,125	\$ 2,625
Economic Renewal Agency .....	<u>86,754</u>	<u>---</u>
	<u>89,879</u>	<u>2,625</u>

## SHAREHOLDER'S EQUITY

Capital Stock		
Authorized:		
5,000 common shares with par value of \$1 each		
Issued:		
3 common shares .....	3	3
Retained earnings .....	<u>133,095</u>	<u>258,488</u>
	<u>133,098</u>	<u>258,491</u>
	<u>\$ 222,977</u>	<u>\$ 261,116</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## CHECK INNS LIMITED

## Statement of Loss and Retained Earnings

year ended March 31, 1997

	1997	1996
Revenue		
Interest income . . . . .	\$ ---	\$ 2,980
Expenses		
Computer services . . . . .	---	2,325
Interest . . . . .	11,590	---
Office and miscellaneous expenses . . . . .	1,171	1,120
Professional fees . . . . .	2,112	2,500
Provision for bad debts . . . . .	---	2,209
	<u>14,873</u>	<u>8,154</u>
Loss before depreciation . . . . .	(14,873)	(5,174)
Depreciation . . . . .	110,520	46,107
Net loss . . . . .	<u>\$ (125,393)</u>	<u>\$ (51,281)</u>
Retained earnings, beginning of year . . . . .	\$ 258,488	\$ 309,769
Net loss . . . . .	<u>(125,393)</u>	<u>(51,281)</u>
Retained earnings, end of year . . . . .	<u>\$ 133,095</u>	<u>\$ 258,488</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## CHECK INNS LIMITED

## Statement of Changes in Financial Position

year ended March 31, 1997

	1997	1996
Cash derived from (applied to)		
Operating		
Net loss . . . . . \$	(125,393) \$	(51,281)
Depreciation . . . . .	110,520	46,107
	<u>(14,873)</u>	<u>(5,174)</u>
Change in non-cash operating working capital		
Receivables . . . . .	118,076	(98,554)
Prepays . . . . .	---	2,325
Payables and accruals . . . . .	87,254	(2,070)
	<u>190,457</u>	<u>(103,473)</u>
Investing		
Purchase of computer equipment . . . . .	<u>(193,240)</u>	<u>---</u>
Cash used . . . . .	(2,783)	(103,473)
Cash		
Beginning of year . . . . .	<u>4,720</u>	<u>108,193</u>
End of year . . . . . \$	<u><u>1,937</u></u> \$	<u><u>4,720</u></u>

See accompanying notes to the financial statements.

**PROVINCE OF NOVA SCOTIA**

**CHECK INNS LIMITED**

**Notes to the Financial Statements**

**year ended March 31, 1997**

**1. General**

The Company was incorporated under the Province of Nova Scotia's Company's Act March 31, 1978. The fundamental purpose of the Company is to develop and maintain a reservation and information system for hotel, motel and other accommodations throughout the Province of Nova Scotia. On May 1, 1994, the Province of Nova Scotia entered into a contract with Corporatel, a partnership of Corporate Research Associates Inc. and Corporate Communications Limited, for Corporatel to operate the "Check Inns" Information and Reservation System for the period May 1, 1994 to April 30, 1999. Under the terms of the agreement, the Province of Nova Scotia through Check Inns Limited retains the rights to the software being used and Corporatel is to bill the Province on the basis of prescribed rates for incoming and outgoing calls made through their facilities.

**2. Accounting Policies**

**Depreciation**

Depreciation of software is calculated over the five year period 1995 and 1999 on the straight line basis.

Depreciation of hardware is calculated over the three year period 1997 to 1999 on the straight line basis.

Furniture, office equipment and leasehold improvements are expensed in the year acquired.

**3. Computer Software**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>1997 Net Book Value</b>	<b>1996 Net Book Value</b>
Computer software . . . . .	\$ 230,534	\$ 138,321	\$ 92,213	\$ 138,320
Computer hardware . . . . .	193,240	64,413	128,827	---
	<u>\$ 423,774</u>	<u>\$ 202,734</u>	<u>\$ 221,040</u>	<u>\$ 138,320</u>

**AUDITOR'S REPORT**

To the Chair and Members of the Nova Scotia  
Round Table on Environment and Economy

I have audited the balance sheet of the Environmental Trust Fund as at March 31, 1997 and the statement of revenues, expenses and fund equity 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 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 Fund as at March 31, 1997, and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. SALMON, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 17, 1997

**PROVINCE OF NOVA SCOTIA**  
**ENVIRONMENTAL TRUST FUND**  
**BALANCE SHEET**  
**as at March 31, 1997**

**ASSETS**

	<b>1997</b>	<b>1996</b>
Cash .....	76 \$	---
Investments (Schedule 1) .....	4,988	4,762
Interest receivable .....	11	104
	<u>\$ 5,075</u>	<u>\$ 4,866</u>

**FUND EQUITY**

Fund equity .....	<u>\$ 5,075</u>	<u>\$ 4,866</u>
-------------------	-----------------	-----------------



## PROVINCE OF NOVA SCOTIA

## ENVIRONMENTAL TRUST FUND

## Statement of Revenues, Expenses and Fund Equity

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Interest .....	\$ 209	\$ 241
<b>Expenses</b>		
Environmental grants and assistance .....	---	---
<b>Excess (deficiency) of revenues over expenses .....</b>	<b>209</b>	<b>241</b>
<b>Fund equity, beginning of year .....</b>	<b>4,866</b>	<b>4,625</b>
<b>Fund equity, end of year .....</b>	<b>\$ 5,075</b>	<b>\$ 4,866</b>

**PROVINCE OF NOVA SCOTIA**  
**ENVIRONMENTAL TRUST FUND**  
**Notes to Financial Statements**

**March 31, 1997**

**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 modified by the treatment of administrative expenses. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of the Environment. These amounts are not reflected in the financial statements.

## Schedule 1

**PROVINCE OF NOVA SCOTIA**  
**ENVIRONMENTAL TRUST FUND**  
**Schedule of Investments**  
**March 31, 1997**

<b>Investment</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Cost</b>
Bank of Nova Scotia, Banker's Acceptance	3.03%	April 4, 1997	\$ 4,988

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

**AUDITOR'S REPORT**

To the Minister of Fisheries and Aquaculture; and  
To the Chairperson and Members of  
the Nova Scotia Fisheries and Aquaculture Loan Board

I have audited the balance sheet of the Fisheries and Aquaculture Development Fund as at March 31, 1997 and the statement of 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 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 Fisheries and Aquaculture Development Fund as at March 31, 1997 and the continuity of the fund for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
May 2, 1997

## PROVINCE OF NOVA SCOTIA

## FISHERIES AND AQUACULTURE DEVELOPMENT FUND

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996
<b>Loans Receivable - net of allowance for doubtful accounts (Schedule 1) . . . . .</b>	<b>\$ 37,844,837</b>	<b>\$ 43,098,136</b>
<b>Due from Consolidated Fund</b>		
Loans authorized but unadvanced . . . . .	2,225,550	2,272,399
Aquaculture loan guarantees (Note 4). . . . .	573,000	---
Free balance . . . . .	97,332,950	92,651,835
Applicants' funds on deposit . . . . .	155,435	178,155
	<u>100,286,935</u>	<u>95,102,389</u>
	<u>\$ 138,131,772</u>	<u>\$ 138,200,525</u>

## LIABILITIES AND FUND BALANCE

<b>Liabilities</b>		
Applicants' funds on deposit . . . . .	\$ 155,435	\$ 178,155
<b>Fisheries and Aquaculture Development Fund . . . . .</b>	<b>137,976,337</b>	<b>138,022,370</b>
	<u>\$ 138,131,772</u>	<u>\$ 138,200,525</u>

Guarantees (Note 4)

**PROVINCE OF NOVA SCOTIA**  
**FISHERIES AND AQUACULTURE DEVELOPMENT FUND**

**STATEMENT OF CONTINUITY OF FUND**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
Balance, beginning of year . . . . . \$	138,022,370 \$	138,067,619
<i>Deduct:</i> Increase in allowance for doubtful accounts . . . . .	(4,872)	(1,421)
Accounts written off . . . . .	(41,161)	(43,828)
Balance, end of year . . . . . \$	<u>137,976,337</u> \$	<u>138,022,370</u>
 Comprising:		
Loans receivable . . . . . \$	37,844,837 \$	43,098,136
Loans authorized but unadvanced . . . . .	2,225,550	2,272,399
Aquaculture loan guarantees . . . . .	573,000	---
Free balance . . . . .	97,332,950	92,651,835
	<u>\$ 137,976,337</u> \$	<u>138,022,370</u>

**PROVINCE OF NOVA SCOTIA**  
**FISHERIES AND AQUACULTURE DEVELOPMENT FUND**

**Notes to Financial Statements**

**March 31, 1997**

**1. Authority**

The Fisheries and Aquaculture Development Fund was established pursuant to Section 24 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Fisheries and Aquaculture Loan Board. Prior to the proclaiming of this statute on February 28, 1997, the Fund was known as the Fisheries Development Fund and the Board was called the Fisheries Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishers, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

**Administrative Expenses, Interest Revenue and Expense**

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans are included in the expenditures of the Department of Fisheries and Aquaculture. These amounts are not reflected in the attached financial statements, nor is accrued loan interest receivable.

**3. Deferment Program**

Orders-in-Council 93-968, 96-211 and 97-173 dated December 21, 1993, March 26, 1996, and March 4, 1997 respectively, approved an assistance program for borrowers affected by quota cuts and groundfish fishery closure, in cases where economic hardship resulted. Borrowers can apply to have the principal portion of their loan payment deferred until March 31, 1998. As of March 31, 1997, 43 borrowers (1996 - 49) have loans outstanding under the program, representing loans receivable of \$3,860,510 (1996 - \$4,517,510).

**4. Guarantees**

On August 30, 1995 the government's Priorities and Planning Committee directed that, as of April 1, 1996, the Aquaculture Loan Guarantee program be transferred from the Economic Renewal Agency to the Department of Fisheries and Aquaculture. The Fisheries and Aquaculture Loan Board will administer the guarantees on behalf of the Department. During the year, the Loan Board granted guarantees totalling \$573,000.

Subsequent to March 31, 1997 \$1,000,000 of existing loan guarantees were transferred from the Economic Renewal Agency to the Board.

**PROVINCE OF NOVA SCOTIA**  
**FISHERIES AND AQUACULTURE DEVELOPMENT FUND**

**Continuity of Loans Receivable**

**for the year ended March 31, 1997**

	1997	1996
<b>Loans Receivable</b>		
Balance, beginning of year . . . . . \$	44,021,737	\$ 44,810,249
<i>Add:</i> Advances during the year . . . . .	8,717,168	8,991,419
	52,738,905	53,801,668
<i>Deduct:</i> Repayments during the year . . . . .	13,924,434	9,736,103
Accounts written off . . . . .	41,161	43,828
	13,965,595	9,779,931
Balance, end of year . . . . .	38,773,310	44,021,737
<b>Allowance for Doubtful Accounts</b> . . . . .	928,473	923,601
<b>Loans Receivable - net of allowance for doubtful accounts</b> . . . . . \$	37,844,837	\$ 43,098,136



**AUDITOR'S REPORT**

To the Minister of Agriculture and Marketing

I have audited the balance sheet of the Gross Revenue Insurance Plan - Revenue Protection Component as at March 31, 1997, and the statement of income and fund balance for the year then ended. These financial statements are the responsibility of the Department of Agriculture and Marketing. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Gross Revenue Insurance Plan - Revenue Protection Component as at March 31, 1997, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. SALMON, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 24, 1997

**PROVINCE OF NOVA SCOTIA**  
**GROSS REVENUE INSURANCE PLAN -**  
**REVENUE PROTECTION COMPONENT**  
**BALANCE SHEET**  
**as at March 31, 1997**

	<b>ASSETS</b>	
	<b>1997</b>	<b>1996</b>
<b>Current Assets</b>		
Premiums receivable		
Producers . . . . . \$	--- \$	12,148
Provincial Government . . . . .	---	11
Federal Government . . . . .	---	62
Accrued interest receivable . . . . .	---	8,518
Due from GRIP (Crop Insurance) . . . . .	---	9
Due from Province of Nova Scotia . . . . .	---	480,017
Other receivable . . . . .	---	3,431
	<u>\$ ---</u>	<u>\$ 504,196</u>

**LIABILITIES AND FUND BALANCE**

<b>Current Liabilities</b>		
Provision for payment of unsettled indemnities . . . . . \$	---	86,129
<b>Fund Balance</b>		
Surplus . . . . .	---	418,067
	<u>\$ ---</u>	<u>\$ 504,196</u>

## PROVINCE OF NOVA SCOTIA

## GROSS REVENUE INSURANCE PLAN -

## REVENUE PROTECTION COMPONENT

## Statement of Income and Fund Balance

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Premiums contributions		
Producers . . . . . \$	--- \$	253,939
Provincial Government . . . . .	---	190,474
Federal Government . . . . .	---	317,481
Interest earned on fund balance . . . . .	18,640	23,083
Interest earned on overdue producers' accounts . . . . .	47	1,766
	<u>18,687</u>	<u>786,743</u>
<b>Expenses</b>		
Bad debt expense . . . . .	3,553	---
Interest on advances . . . . .	---	2,331
Indemnity claims . . . . .	---	124,680
	<u>3,553</u>	<u>127,011</u>
<b>Net income</b> . . . . .	15,134	659,732
<b>Fund balance, beginning of year</b> . . . . .	418,067	(241,665)
	<u>433,201</u>	<u>418,067</u>
<b>Distribution of surplus (Note 3)</b>		
Producers . . . . .	144,386	---
Provincial Government . . . . .	108,300	---
Federal Government . . . . .	180,515	---
	<u>433,201</u>	<u>---</u>
<b>Fund balance, end of year</b> . . . . . \$	<u>---</u> \$	<u>418,067</u>

**PROVINCE OF NOVA SCOTIA****GROSS REVENUE INSURANCE PLAN -****REVENUE PROTECTION COMPONENT****Notes to Financial Statements****March 31, 1997****1. Authority**

Effective April 1, 1991, insurance on grains and oilseeds has been offered under a Tripartite Gross Revenue Insurance Plan (GRIP). The National Agreement Establishing a Tripartite Gross Revenue Insurance Plan for Crops was signed by the Minister of Agriculture and Marketing under the authority of the Natural Products Act. Under this program, producers purchase both crop insurance and revenue protection insurance.

These statements include only the Revenue Protection Component of GRIP, as required by Agriculture Canada. The Revenue Protection Component is administered by the Nova Scotia Crop and Livestock Insurance Commission staff on behalf of the Minister of Agriculture and Marketing.

The Crop Insurance Component of GRIP is included on the financial statements of the Nova Scotia Crop and Livestock Insurance Commission as required by Agriculture Canada.

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles. All administrative expenses associated with this program are reflected on the financial statements of the Nova Scotia Crop and Livestock Insurance Commission and have not been included on these statements.

**3. Gross Revenue Insurance Plan Termination**

In accordance with Section 20.2(a) of the National Tripartite Gross Revenue Insurance Plan Agreement, the Province gave notice that it will terminate its participation in the plan on March 31, 1998. In accordance with Section 20.5 of the Agreement, the surplus has been distributed to the federal government, provincial government and producers based upon the respective premiums paid by each party.

**AUDITOR'S REPORT**

To the Director of Highway 104  
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 1997, and the statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997, and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND  
Chartered Accountants

Halifax, Nova Scotia  
April 29, 1997

**PROVINCE OF NOVA SCOTIA**  
**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

**1997**

Cash and short term investments, in trust (Note 3) . . . . .	\$	8,102,788
Interest receivable . . . . .		196,962
Loan receivable (Note 4) . . . . .		3,507,612
Facility under construction (Note 2) . . . . .		84,761,733
Deferred costs (Note 5) . . . . .		900,978
	\$	<u>97,470,073</u>

**LIABILITIES**

Payable and accruals . . . . .	\$	1,096,616
Long term debt (Note 6) . . . . .		67,373,456
Deferred contributions (Note 2) . . . . .		29,000,000
		<u>97,470,072</u>

**SHAREHOLDERS' EQUITY**

Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia . . . . .		1
	\$	<u>97,470,073</u>

Commitments and contractual obligations (Note 8)

See accompanying notes to the financial statements.

**PROVINCE OF NOVA SCOTIA**  
**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

**Statement of Changes in Financial Position**

**for the year ended March 31, 1997**

**1997**

Cash derived from (applied to)

**Operating**

Change in non-cash operating working Capital (Note 7) .....	\$ (2,607,958)
--	----------------

**Financing**

Issue of common share .....	1
Issue of long term debt .....	67,373,456
Provincial contributions .....	<u>29,000,000</u>
	<u>96,373,457</u>

**Investing**

Facility under construction .....	(84,761,733)
Deferred costs - financing fees .....	(760,368)
Deferred costs - start up .....	<u>(140,610)</u>
	<u>(85,662,711)</u>

**Net increase in cash and investments,**

in trust, end of year .....	\$ <u><u>8,102,788</u></u>
-----------------------------	----------------------------

See accompanying notes to the financial statements.

**PROVINCE OF NOVA SCOTIA**  
**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

**Notes to the Financial Statements**

**March 31, 1997**

**1. Nature of operations**

The Corporation has been established for the purpose of financing, design, construction, operation and maintenance of 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.

**2. Summary of significant accounting policies**

**Pre-operating period**

The pre-operating period is the twenty month construction period commencing April 1, 1996 to the date of acceptance estimated to be November 1997.

**Facility under construction**

Facility under construction includes certified progress payments for the Facility to the contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. To March 31, 1997, \$4,681,498 in interest costs have been capitalized to Facility under construction.

**Deferred costs - start up**

Administrative expenses incurred during the pre-operating period have been deferred as start-up costs and will be amortized to operations, on a pro-rata basis, over a five year period commencing in the first year of operations.

**Deferred costs - financing fee**

Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and will be amortized to operations over the term of the related bond debt.

**Deferred contribution**

Government assistance provided by the Province of Nova Scotia has been recorded as a deferred contribution and will be amortized to operations over thirty years commencing in the first year of operations.



**3. Cash and short term investments, in trust**

(i)	Construction Trust Account	Senior Debt Reserve Account	Total
Cash .....	\$ 13,588	\$ 4,488	18,076
Investments, at cost .....	<u>7,588,910</u>	<u>495,802</u>	<u>8,084,712</u>
	<u>\$ 7,602,498</u>	<u>\$ 500,290</u>	<u>\$ 8,102,788</u>

Investments are recorded at costs, have a weighted average term of 2.14 months to maturity and a weighted average interest rate of 4.15%.

(ii) The construction trust account includes funds held in trust, in accordance with the Construction Trust Agreement, for the benefit of the Corporation and are eligible for withdrawal based on approved payment directives and certified progress payment requests. At the date of acceptance, any residual funds will be transferred to a project account.

(iii) The senior debt reserve fund has been established to provide a reserve of funds to be available for payments as they come due the senior toll revenue bonds.

**4. Loan receivable**

Mobilization loan advanced to Atlantic Highway Corporation, non-interest bearing and repayable at a rate of 10% of certified progress payments.

**5. Deferred costs**

**1997**

Start up .....	\$ 140,610
Financing fees .....	<u>760,368</u>
	<u>\$ 900,978</u>

**6. Long-term debt**

**1997**

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 \$44,141. Interest from the date of issue has been capitalized as part of the principal and will continue to be capitalized until June 30, 1998. 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 Fund .....

	\$ 56,364,537
--	---------------

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 \$50,848. Interest from the date of issue has been capitalized as part of the principal and will continue to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders . . . . .

	11,008,919
	\$ 67,373,456

**7. Change in non-cash operating working capital**

**1997**

Interest receivable . . . . .	\$ (196,962)
Loan receivable . . . . .	(3,507,612)
Payables and accruals . . . . .	1,096,616
	\$ (2,607,958)

**8. Commitments and contractual obligations**

**(i) Commitments**

The Corporation has entered into a Design Build Agreement with Atlantic Highways Corporation in the amount of \$112,921,455 to construct the Highway 104 Alignment. As of March 31, 1997, \$78,869,288 in progress payments have been paid from the Construction Trust Account.

The Agreement also provides for a \$4,250,000 contingency fund which will be made available by the Province to the Corporation to finance change orders certified under specified events as outlined in the Omnibus Agreement. At March 31, 1997, no change orders have been approved that would result in claims on this contingency fund.

**(ii) Contractual obligations**

The Corporation has entered in 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 fulfil 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 will contribute \$55,000,000 payable as follows: the first \$29,000,000 available April 1, 1996 was released for payment of progress payments; and, the second \$26,000,000 will be available after April 15, 1998 and will be paid to the Corporation only for purposes of repaying the Credit Facility detailed in Note 9 or for paying costs of construction.

- **Design Build Contract**

The Corporation has entered into a fixed price contract with Atlantic Highways Corporation (the Contractor) to complete the design and construction of the Facility by November 30, 1997, the projected completion date. Pursuant to this agreement, the Contractor is entitled to monthly progress payments provided the work has been certified by the Independent Engineer.

- **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.

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 required 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 Trust Account.

- **Annual Roadway Maintenance Agreement**

Five year agreement 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 \$650,000 commencing April 1, 1998 and subsequently adjusted thereafter for inflation.

## 9. **Credit Facility**

The Corporation has established a \$26,000,000 line of credit with the Province of Nova Scotia to be repaid on or before April 15, 1998, secured by an assignment of the Provincial contribution receivable on that date. The line of credit will be interest bearing and as of March 31, 1997, no funds were advanced on this line of credit.

**10. Fair values of financial instruments****Financial assets**

The fair values of cash, short term investments and receivables approximate their carrying amounts because of their short term to maturity.

**Financial liabilities**

The fair values of payables and accruals approximate their carrying amounts because of their short term to maturity. The fair value of long term debt has been estimated to be \$69,923,722 based on discounted future cash flows at a rate currently offered for bonds of similar credit quality and period to maturity. The carrying value of long term debt has not been adjusted as the Corporation intends to settle the debt on maturity.

**AUDITOR'S REPORT**

To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 1997, and the statements of revenues and expenditures and changes in fund balance 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 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, 1997, and the results of its operations and the changes in the fund balance for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 10, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

	1997	1996
<b>Current Assets</b>		
Accounts receivable and accrued interest . . . . . \$	209,415 \$	230,722
Current portion of mortgages receivable . . . . .	646,290	890,289
	855,705	1,121,011
<b>Mortgages receivable (Note 6) . . . . .</b>	<b>26,460,242</b>	<b>34,338,669</b>
<b>Fixed assets (Note 7) . . . . .</b>	<b>88,348,736</b>	<b>89,479,938</b>
	\$ 115,664,683	\$ 124,939,618

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable . . . . . \$	3,500 \$	---
Housing Development Corporation Fund (Note 5) . . . . .	7,635,624	5,146,106
Current portion of long-term liabilities . . . . .	6,419,473	5,743,599
	14,058,597	10,889,705
<b>Long-term liabilities</b>		
Notes payable (Note 8) . . . . .	14,285,790	25,395,847
Mortgages payable (Note 9) . . . . .	86,999,207	88,332,977
	101,284,997	113,728,824
<b>Reserve for interest fluctuation (Note 10) . . . . .</b>	<b>321,089</b>	<b>321,089</b>
	\$ 115,664,683	\$ 124,939,618

Contingency (Note 11)

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

## Statement of Revenues and Expenditures

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Interest revenue . . . . .	\$ 2,934,093	\$ 4,405,987
Recoveries from provincial government departments . . . . .	8,563,678	9,174,240
	<u>11,497,771</u>	<u>13,580,227</u>
<b>Expenditures</b>		
Interest on long-term debt . . . . .	10,244,588	12,549,510
Amortization . . . . .	1,134,131	992,473
Administration fee (Note 4) . . . . .	115,552	34,744
Miscellaneous . . . . .	3,500	3,500
	<u>11,497,771</u>	<u>13,580,227</u>
<b>Excess of revenues over expenditures</b>		
(Note 4) . . . . .	\$ <u>---</u>	\$ <u>---</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

## Statement of Changes in Fund Balance

for the year ended March 31, 1997

	1997	1996
<b>Funds provided by (used for):</b>		
<b>Operations</b>		
Excess of revenues over expenses . . . . . \$	--- \$	---
Add: Expenses not requiring cash		
Amortization . . . . .	1,134,131	992,473
Transfer to provision for concessionary assistance & doubtful recoveries. . . . .	2,443,648	---
Change in accounts receivable and accrued interest and accounts payable . . . . .	24,807	86,660
	<u>3,602,586</u>	<u>1,079,133</u>
<b>Investing activities</b>		
Mortgages receivable . . . . .	5,678,778	5,968,219
Investment in fixed assets . . . . .	<u>(2,929)</u>	<u>(3,141,930)</u>
	<u>5,675,849</u>	<u>2,826,289</u>
<b>Financing activities</b>		
Net proceeds from issue of long-term debt . . . . .	4,661	2,696,986
Repayment of long-term debt . . . . .	<u>(11,772,614)</u>	<u>(16,455,016)</u>
	<u>(11,767,953)</u>	<u>(13,758,030)</u>
<b>Decrease in fund balance during the year . . . . .</b>	<b>(2,489,518)</b>	<b>(9,852,608)</b>
<b>Fund balance, beginning of year . . . . .</b>	<b>(5,146,106)</b>	<b>4,706,502</b>
<b>Fund balance, end of year . . . . . \$</b>	<b><u>(7,635,624)</u></b>	<b><u>(5,146,106)</u></b>



**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION****Notes to Financial Statements****March 31, 1997****1. Authority**

On June 17, 1986 the Nova Scotia Housing Development Corporation Act established the Nova Scotia Housing Development Corporation. The purpose of the Corporation is to provide long-term mortgage financing through outside lenders for the Public Non-Profit Housing Program, and the home ownership programs of the Department of Housing and Municipal Affairs, and loan guarantees for housing purposes.

**2. Accounting Policies****Mortgages Receivable**

Mortgages receivable are carried at cost less provisions for concessionary assistance and doubtful recoveries. The provision for concessionary assistance is recorded at the net present value of the concessionary assistance.

**Provision for Concessionary Assistance**

Concessionary assistance consists of subsidies provided by the Department of Housing and Municipal Affairs to low income borrowers to assist them in meeting their monthly mortgage payments. The amount of concessionary assistance is calculated as the difference between the net present value of the anticipated future repayments to be received by the Corporation and the amount of the loans advanced. The mortgages are recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to, or recovery of, the net present value of this assistance is reflected in the Provision for Concessionary Assistance in the year in which the related recovery or adjustment occurs. The net change in the Provision for Concessionary Assistance is funded by the Department of Housing and Municipal Affairs legislative vote. Loan advances, provisions for concessionary assistance and doubtful recoveries and net book value are disclosed in Note 6 to the financial statements.

**Provision for Doubtful Recoveries**

The Department of Housing and Municipal Affairs maintains 1st and 2nd Mortgage Insurance Funds. The Funds consist of mortgages insurance fees charged to borrowers which are used to finance the write-off of bad debts from the mortgage receivable portfolios of the Housing Development Fund and the Housing Development Corporation.

A Provision for Doubtful Recoveries is established to the extent that anticipated losses on bad debts exceeds the funding available in the 1st and 2nd Mortgage Insurance Funds.

**Fixed Assets**

Fixed assets are carried at cost which includes the cost of site investigation, land, construction, administration and interest during construction.

**Amortization**

The capital cost of fixed assets is reduced each year by the amount of the principal repaid on the related mortgage financing the project. Mortgages are obtained for periods of 20 to 35 years. The principal portion of mortgage repayments increases as the mortgages approach maturity.

The capital cost of fixed assets and the related mortgages payable were reduced during the year ended March 31, 1997 by \$1,134,131 (1996 - \$992,473).

**3. Change in Accounting Policies****Mortgages Receivable**

During the year, the Corporation changed its accounting policy for Mortgages Receivable. The change in accounting policy was made to account for mortgages receivable with concessionary assistance in accordance with the recommendations of the Public Sector Accounting and Auditing Board. The change in accounting policy results in a reduction in the valuation of Mortgages Receivable and the Housing Development Corporation Fund of \$2.43 million for total mortgage advances which were made in current and prior years. Although the change in accounting policy has been applied retroactively, the entire impact was recorded in the current year. The opening Fund balance and prior year comparative figures have not been restated because the necessary financial data is not reasonably determinable.

**4. Administration and Management**

The administration and management of the Nova Scotia Housing Development Corporation are carried out by the staff of the Department of Housing and Municipal Affairs. The Corporation will pay an administration fee to the Department to the extent that the interest revenues earned by the Corporation exceed expenditures.

**5. 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 \$20 million. If the fund reflects a receivable from the Province of Nova Scotia, interest is paid to the Corporation at the provincial borrowing rate. Conversely, the Corporation is required to pay interest to the Province, at the provincial borrowing rate, if the Fund is in a liability position.

**6. Mortgages Receivable**

Mortgages receivable have amortization periods of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately \$310,000, including interest. Interest rates vary from 7.65% to 13.00% with renewal dates ranging from May 1, 1997 to January 1, 2013.

The mortgages are secured by registered first mortgages on the related properties. The Corporation has assigned the mortgages receivable as security for notes payable.

The mortgages receivable, by program, are as follows:

	1997	1996
Self-Help Housing . . . . .	\$ 3,806,880	\$ 5,522,188
Family Benefits Housing . . . . .	7,781,544	8,466,342
Shell Housing . . . . .	1,134,256	1,749,474
Family Modest Housing . . . . .	17,083,852	19,747,306
	<u>29,806,532</u>	<u>35,485,310</u>
<i>Less:</i> Current portion due within one year . . . . .	646,290	890,289
Provision for Concessionary Assistance and Doubtful Recoveries . . . . .	2,700,000	256,352
	<u>3,346,290</u>	<u>1,146,641</u>
	<u>\$ 26,460,242</u>	<u>\$ 34,338,669</u>

Estimated principal receivable for the next four years are as follows:

1998-1999	\$ 715,265
1999-2000	\$ 791,291
2000-2001	\$ 875,414
2001-2002	\$ 968,502

**7. Fixed Assets**

Fixed assets, by program, are as follows:

	1997	1996
Public Non-Profit Housing		
Senior Citizens Units . . . . .	\$ 50,470,242	\$ 50,844,313
Family Units . . . . .	24,857,425	25,067,635
	<u>75,327,667</u>	<u>75,911,948</u>
Halifax-Dartmouth Metro Area Demonstration		
Program Projects . . . . .	1,209,735	1,217,698
Family Benefits Rental Units . . . . .	775,620	792,912
Vimy Non-Profit Project . . . . .	1,107,670	1,125,239
Nova Scotia Youth Centre, Waterville . . . . .	9,928,044	10,432,141
	<u>\$ 88,348,736</u>	<u>\$ 89,479,938</u>

**8. Notes Payable**

Notes payable consist of 21 individual series payable to Hongkong Bank Trust Company with amortization periods of 25 years and five or ten year renewal terms. Monthly payments are \$573,000, including interest. Interest rates vary from 7.30% to 12.125% with renewal dates ranging from March 1, 1998 to February 1, 2000.

The notes payable are secured by an assignment of mortgages receivable. However, portions of the outstanding balances may be unsecured due to mortgages receivable payouts or foreclosures.

Notes payable, by program, are as follows:

	1997	1996
Self-Help Housing . . . . .	2,844,999 \$	4,866,831
Family Benefits Housing . . . . .	6,080,481	7,819,016
Shell Housing . . . . .	1,138,214	1,722,630
Family Modest Housing . . . . .	9,292,040	15,584,676
	<u>19,355,734</u>	<u>29,993,153</u>
Less: Current portion due within one year . . . . .	5,069,944	4,597,306
	<u>\$ 14,285,790</u>	<u>\$ 25,395,847</u>

Estimated principal repayments for the next four years are as follows:

1998-1999	\$	5,658,704
1999-2000	\$	4,646,016
2000-2001	\$	1,372,604
2001-2002	\$	507,150

**9. Mortgages Payable**

Mortgages payable are comprised of individual mortgages from various lenders for Public Non Profit Housing projects and Metro Area Demonstration projects. These mortgages have amortization periods of 35 years with either five or ten year renewal terms.

The Family Benefits Rental Units mortgage has a 25 year amortization period and a renewal term of 10 years. The mortgage payable for the Nova Scotia Youth Centre in Waterville has a 20 year amortization period and a renewal term of 5 years. The Vimy Non-Profit Project mortgage has a 23 year amortization period and a renewal term of 5 years.

Mortgages payable are secured by assignment of real property and are payable in monthly instalments of interest and principal totalling \$710,000. Interest rates vary from 5.43% to 12.254% with renewal dates ranging from April 1, 1997 to March 1, 2002.

Mortgages payable by program are as follows:

	1997	1996
Public Non-Profit Housing		
Senior Citizens Units . . . . . \$	50,470,242	\$ 50,844,313
Family Units . . . . .	24,857,425	25,066,967
	<u>75,327,667</u>	<u>75,911,280</u>
Halifax-Dartmouth Metro Area		
Demonstration Projects . . . . .	1,209,735	1,217,698
Family Benefits Rental Units . . . . .	775,620	792,912
Vimy Non-Profit Project . . . . .	1,107,670	1,125,239
Nova Scotia Youth Centre, Waterville . . . . .	9,928,044	10,432,141
	<u>88,348,736</u>	<u>89,479,270</u>
Less: Current portion due within one year . . . . .	1,349,529	1,146,293
	<u>\$ 86,999,207</u>	<u>\$ 88,332,977</u>

Estimated principal repayments for the next four years are as follows:

1998-1999	\$	1,449,697
1999-2000	\$	1,557,722
2000-2001	\$	1,674,261
2001-2002	\$	1,800,026

In 1986 the Province entered into a new Federal/Provincial Operating Agreement on Social Housing. Under the new Operating Agreement, Canada Mortgage and Housing Corporation agrees to insure loans received by the Nova Scotia Housing Development Corporation from approved lenders for capital financing of Public Non-Profit Housing projects.

#### 10. Reserve for Interest Fluctuation

The Corporation borrows from a private lender to finance first mortgages.

Interest rates committed on mortgages are determined well in advance of the borrowing date. There is considerable risk that the interest rate obtained on borrowing will exceed that committed on mortgage advances resulting in a loss to the Corporation. Similarly, interest rates obtained on renewal of the private lender loans at their five and ten year anniversaries could be higher than the rate on the first mortgage advances.

The Corporation has therefore established a reserve from interest fluctuation to offset possible future interest losses. The reserve is funded by an excess of revenues over expenses caused by favourable borrowing and lending activity.

#### 11. Contingent Liability

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 1997 a total of 29 (1996 - 28) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$24,136,327 (1996 - \$22,818,144).

#### 12. Comparative Figures

Prior year comparative figures have been reclassified, where necessary, to conform to the financial statement presentation adopted for the current year.

**AUDITOR'S REPORT**

To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Housing Development Fund as at March 31, 1997, and the statement of continuity of net advances for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Housing Development Fund as at March 31, 1997, and the continuity of the net advances for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 10, 1997

**PROVINCE OF NOVA SCOTIA**  
**HOUSING DEVELOPMENT FUND**

**BALANCE SHEET**

as at March 31, 1997

	<b>ASSETS</b>	<b>1997</b>	<b>1996</b>
Accounts receivable and advances . . . . .	\$	9,321 \$	9,231
Temporary advances on behalf of the Nova Scotia Housing Development Corporation . . . . .		7,988,611	6,762,759
Mortgages receivable (Note 4) . . . . .		18,374,796	23,208,445
Investment in land and housing projects (Note 5) . . . . .		107,246,862	105,939,986
	\$	<u>133,619,590</u> \$	<u>135,920,421</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable and contractors' holdback. . . . .	\$	383,556 \$	366,037
Deferred recovery . . . . .		475,000	---
Notes payable (Note 6) . . . . .		37,781,526	40,220,743
		<u>38,640,082</u>	<u>40,586,780</u>

**Fund Balance**

Advances from Consolidated Fund (Authorized \$154,000,000) . . . . .		100,127,097	98,473,641
Less: Provision for concessionary assistance & doubtful recoveries . . . . .		(5,147,589)	(3,140,000)
Net advances . . . . .		<u>94,979,508</u>	<u>95,333,641</u>
	\$	<u>133,619,590</u> \$	<u>135,920,421</u>

## PROVINCE OF NOVA SCOTIA

## HOUSING DEVELOPMENT FUND

## STATEMENT OF CONTINUITY OF NET ADVANCES

for the year ended March 31, 1997

	1997	1996
Balance, beginning of the year . . . . .	\$ 95,333,641	\$ 94,453,297
<i>Add:</i> Advances for lending, public housing and land development programs . . . . .	9,216,408	14,075,223
Increase in valuation of land development projects due to change in accounting policy (Note 3) . . . . .	5,154,936	---
	<u>14,371,344</u>	<u>14,075,223</u>
<i>Less:</i> Recoveries from lending and land development programs . . . . .	12,717,888	13,130,302
Increase (decrease) in Provision for Doubtful Recoveries . . . . .	(292,411)	64,577
Increase in Provision for Concessionary Assistance (Note 3) . . . . .	2,300,000	---
	<u>14,725,477</u>	<u>13,194,879</u>
Balance, end of the year . . . . .	<u>\$ 94,979,508</u>	<u>\$ 95,333,641</u>



**PROVINCE OF NOVA SCOTIA****HOUSING DEVELOPMENT FUND****Notes to Financial Statements****March 31, 1997****1. Authority**

The Provincial share of capital housing programs is financed through the Housing Development Fund as established by Section 20(1) of the Housing Act. These programs include the construction of lease purchase housing units, low interest loans for home construction and rehabilitation, the assembly and servicing of land, and the construction of public housing.

**2. Accounting Policies****Mortgages Receivable**

Mortgages receivable are carried at cost less provisions for concessionary assistance and doubtful recoveries.

**Provision for Concessionary Assistance**

Concessionary assistance consists of subsidies provided by the Department of Housing and Municipal Affairs to low income borrowers to assist them in meeting their monthly mortgage payments. The amount of concessionary assistance is calculated as the difference between the net present value of the anticipated future repayments to be received by the Fund and the amount of the loans advanced. The loans and mortgages are recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to, or recovery of, the net present value of this assistance is reflected in the Provision for Concessionary Assistance in the year in which the related recovery or adjustment occurs. The net change in the Provision for Concessionary Assistance is funded by the Department of Housing and Municipal Affairs legislative vote. The Provision for Concessionary Assistance for the year ended March 31, 1997 is \$2.3 million.

**Provision for Doubtful Recoveries**

The Department of Housing and Municipal Affairs maintains 1st and 2nd Mortgage Insurance Funds. The Funds consist of mortgage insurance fees charged to borrowers which are used to finance the write-off of bad debts from the mortgage receivable portfolios of the Housing Development Fund and the Housing Development Corporation.

A Provision for Doubtful Recoveries is established to the extent that anticipated losses on bad debts exceeds the funding available in the 1st and 2nd Mortgage Insurance Funds.

**Public Housing**

Public housing projects are carried at cost which includes the cost of site investigation, land, construction, administration and interest during construction.

Section 40 projects are jointly owned by Canada Mortgage and Housing Corporation and the Department of Housing and Municipal Affairs. Therefore, only the Department's 25% share of costs are reflected in these financial statements. Section 43 projects are owned by the Department, and are reflected at their full costs.

**Amortization of Public Housing**

The capital cost of public housing projects is reduced over periods of 35 to 50 years, with the amount of the annual reduction increasing over the amortization period.

The capital cost of public housing projects was reduced during the year ended March 31, 1997 by \$631,636 (1996 - \$589,534).

**Investment in Land and Land Assembly**

Land and land assembly projects are carried at cost of acquisition plus servicing costs, capitalized interest charges and administrative costs where applicable. If recovery is doubtful, the net capital cost is reduced to its estimated net realizable value.

Profit or loss on the sale of land is recorded as lots are sold except if revenue or costs cannot be reasonably determined at that time. Costs incurred plus estimated costs to complete are accumulated and allocated to individual units on the basis of relative sales values. Certain common costs, such as main roadways, are allocated to that phase of the project with the applicable spending authority.

**Operating Revenues and Expenditures**

The Provincial share of operating expenditures related to capital programs is funded by the Department of Housing and Municipal Affairs legislative vote. Operating revenues consist primarily of interest revenue on loan programs and profits and losses on land sales and are credited to the revenues of the Province. Operating expenditures include administrative costs of the Fund, the Province's share of operating deficits on public housing projects, the net change in the Provision for Concessionary Assistance and Doubtful Recoveries and grants and assistance associated with capital and other programs. Details of operating revenues and expenditures are reported in the Province's Public Accounts Volume 1.

**3. Changes in Accounting Policies****Investment in Land and Land Assembly**

In prior years, profit on the sale of land was recognized when the sale of the project was complete. During the year the accounting policy was changed to recognize profits as individual lots are sold except if revenue or costs cannot be reasonably determined at that time. This change in accounting policy was made to conform to generally accepted accounting practices in the industry. The effect of the change in accounting policy has been an increase in Investment in Land and

Housing Projects and the Fund Balance of approximately \$5.2 million. Although the change in accounting policy has been applied retroactively, the opening Fund balance and prior year comparative figures have not been restated because the necessary financial data is not reasonably determinable.

#### **Mortgages Receivable**

During the year, the Fund changed its accounting policy for Mortgages Receivable. The change in accounting policy was made to account for mortgages receivable with concessionary assistance in accordance with the recommendations of the Public Sector Accounting and Auditing Board. The change in accounting policy results in a reduction in the valuation of Mortgages Receivable and the Fund Balance of \$2.3 million for total mortgage advances which were made in current and prior years. Although the change in accounting policy has been applied retroactively, the entire impact was recorded in the current year. The opening Fund balance and prior year comparative figures have not been restated because the necessary financial data is not reasonably determinable.

#### **4. Mortgages Receivable**

Mortgages receivable have amortization periods of 25 to 35 years and renewal terms ranging from 5 to 35 years. Monthly payments are \$337,000, including interest. Interest rates vary from 5% to 14.75% with renewal dates ranging from April 1, 1997 to May 1, 2021.

The mortgages are secured by a registered first or second mortgage on the related properties or a promissory note.

	<b>1997</b>	<b>1996</b>
Mortgages Receivable . . . . . \$	20,674,796 \$	23,438,445
Less: Provision for Doubtful Recoveries . . . . .	---	230,000
Provision for Concessionary Assistance . . . . .	<u>2,300,000</u>	<u>---</u>
	<u>\$ 18,374,796 \$</u>	<u>23,208,445</u>

Estimated principal repayments for the next five years are as follows:

1997-1998	\$	2,630,000
1998-1999	\$	2,444,000
1999-2000	\$	2,380,000
2000-2001	\$	2,346,000
2001-2002	\$	2,327,000

#### **5. Investment in Land and Housing Projects**

	<b>1997</b>	<b>1996</b>
Public Housing - Section 40 . . . . . \$	52,648,476 \$	52,952,490
Public Housing - Section 43 . . . . .	29,317,738	29,645,360
Other Housing Projects . . . . .	<u>9,242,112</u>	<u>9,743,135</u>
Investment in Housing Projects . . . . .	<u>91,208,326</u>	<u>92,340,985</u>

Investment in Land Projects . . . . .	18,312,365	75,865,281
Less: Land sales to date on projects in progress . . . . .	---	60,513,800
Unrecovered costs . . . . .	<u>18,312,365</u>	<u>15,351,481</u>
Department owned foreclosed properties . . . . .	573,760	1,157,520
	110,094,451	108,849,986
Less: Provision for Doubtful Recoveries . . . . .	<u>2,847,589</u>	<u>2,910,000</u>
	<u>\$ 107,246,862</u>	<u>\$ 105,939,986</u>

## 6. Notes Payable

Notes payable are comprised of notes from the Canada Mortgage & Housing Corporation (CMHC). The amortization period for the Public Housing notes payable is 50 years and for the Land Assembly projects the period is 20 years.

The notes payable for the Co-Operative Housing and Residential Rehabilitation Assistance programs have various amortization periods.

	1997	1996
<b>Notes Payable to CMHC</b>		
Public Housing - Annual instalments of principal and interest are \$2,230,000. The interest rates vary from 6.375% to 7.15 %. The interest rates for a portion of these notes payable are fixed for their remaining amortization periods and the remainder have a renewal date of January 1, 1999 . . . . . \$	26,315,300	\$ 26,618,802
Land Assembly - Annual instalments of principal and interest of \$896,000. Interest rates range from 6.815% to 10.15% . . . . .	3,763,737	4,223,211
Co-Operative Housing - The monthly instalment, interest rate and amortization period are based on individual mortgages issued to various borrowers. The monthly instalments payable is 75% of the aggregate amount received from the individual borrowers. . . . .	7,021,454	8,799,083
Residential Rehabilitation Assistance Program - The monthly instalment, interest rate and amortization period are based on individual mortgages issued to various borrowers. The monthly instalments payable is 75% of the aggregate amount received from the individual borrowers. . . . .	<u>681,035</u>	<u>566,625</u>
	37,781,526	40,207,721
<b>Notes Payable to ACOA . . . . .</b>	<u>---</u>	<u>13,022</u>
	<u>\$ 37,781,526</u>	<u>\$ 40,220,743</u>

## 7. Comparative Figures

Prior year comparative figures have been reclassified, where necessary, to conform to the financial statement presentation adopted for the current year.

**AUDITOR'S REPORT**

To the Minister of Economic Development and Tourism

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 1997, and the statements of continuity of Fund for the year then ended. These financial statements are the responsibility of the Nova Scotia Business Development 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 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 Fund as at March 31, 1997 and the continuity of Fund for the year then ended in accordance with the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
May 23, 1997

**PROVINCE OF NOVA SCOTIA**  
**INDUSTRIAL EXPANSION FUND**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
<b>Loans and Shares, at cost</b>		
Loans - Industrial Development Act . . . . . \$	90,539	\$ 89,812
Loans - Venture Corporations Act (Note 3) . . . . .	3,316	3,467
Shares (Note 4) . . . . .	11,556	10,000
	<u>105,411</u>	<u>103,279</u>
 <i>Less:</i> Provision for Concessionary Assistance (Note 5) . . . . .	 43,365	 49,695
Allowance for Doubtful Accounts . . . . .	19,089	18,961
	<u>62,454</u>	<u>68,656</u>
	<u>42,957</u>	<u>34,623</u>
 <b>Other Assets</b> . . . . .	 846	 1,775
<i>Less:</i> Provision for Decline in Value . . . . .	---	500
	<u>846</u>	<u>1,275</u>
 <b>Due from Consolidated Fund</b>		
Guarantees (Note 6) . . . . .	35,979	54,153
<i>Less:</i> Provision for Payment under Guarantees . . . . .	2,071	3,224
	<u>33,908</u>	<u>50,929</u>
Assistance Authorized but Unadvanced (Note 7) . . . . .	17,084	1,719
	<u>50,992</u>	<u>52,648</u>
	<u>\$ 94,795</u>	<u>\$ 88,546</u>

**FUNDING AUTHORIZED AND COMMITTED**

<b>Authorized, Net of Write-offs</b>		
Industrial Development Act . . . . . \$	292,145	\$ 312,193
Venture Corporations Act . . . . .	6,738	6,738
Contributed Surplus (Note 8) . . . . .	1,984	1,984
	<u>300,867</u>	<u>320,915</u>
 <i>Less:</i> Provision for Concessionary Assistance and Possible Losses on Assistance (Note 9) . . . . .	 64,525	 72,380
Net Fund Balance . . . . .	236,342	248,535
 <i>Less:</i> Uncommitted Balance of Fund . . . . .	 141,547	 159,989
	<u>\$ 94,795</u>	<u>\$ 88,546</u>

Contingency (Note 10)

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## INDUSTRIAL EXPANSION FUND

## Statement of Continuity of Fund

## Under the Industrial Development Act

for the year ended March 31, 1997

	1997	1996
	(in thousands)	
Balance, beginning of year . . . . .	\$ 312,193	\$ 342,114
<i>Add:</i> Loans and Guarantees authorized . . . . .	255	---
<i>Deduct:</i> Loans and guarantees rescinded or expired . . . . .	16,783	10,793
Reduction of special reserve . . . . .	---	487
Accounts written-off . . . . .	3,520	18,641
	<u>20,303</u>	<u>29,921</u>
Balance, end of year . . . . .	<u>\$ 292,145</u>	<u>\$ 312,193</u>
Comprising:		
Loans, shares and other assets . . . . .	\$ 101,027	\$ 99,674
Guarantees in effect and utilized . . . . .	32,242	33,000
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized . . . . .	20,821	22,686
Uncommitted balance . . . . .	138,055	156,833
	<u>\$ 292,145</u>	<u>\$ 312,193</u>

See accompanying notes to financial statements

## PROVINCE OF NOVA SCOTIA

## INDUSTRIAL EXPANSION FUND

## Statement of Continuity of Fund

## Under the Venture Corporations Act

for the year ended March 31, 1997

	1997	1996
	(in thousands)	
Balance, beginning of year . . . . .	\$ 6,738	\$ 8,261
<i>Deduct:</i> Accounts written-off . . . . .	---	1,523
Balance, end of year . . . . .	<u>\$ 6,738</u>	<u>\$ 6,738</u>
Comprising:		
Loans advanced . . . . .	\$ 3,316	\$ 3,467
Loans authorized but unadvanced . . . . .	---	185
Uncommitted balance . . . . .	3,422	3,086
	<u>\$ 6,738</u>	<u>\$ 6,738</u>

See accompanying notes to financial statements



## PROVINCE OF NOVA SCOTIA

## INDUSTRIAL EXPANSION FUND

## Statement of Continuity of Fund

## Under the Terms of the Canada-Nova Scotia

## Development Fund Agreement

## for the year ended March 31, 1997

	1997	1996
	(in thousands)	
Balance .....	\$ <u>1,984</u>	\$ <u>1,984</u>
Comprising:		
Acquired assets .....	\$ 845	\$ 845
Loans advanced .....	1,069	1,069
Uncommitted balance .....	<u>70</u>	<u>70</u>
	\$ <u>1,984</u>	\$ <u>1,984</u>

See accompanying notes to financial statements

**PROVINCE OF NOVA SCOTIA****INDUSTRIAL EXPANSION FUND****Notes to Financial Statements****March 31, 1997****1. 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.

The Business Development Corporation Act provides that the Industrial Expansion Fund may be administered by the Nova Scotia Business Development Corporation. A ministerial letter of assignment was issued authorizing the Corporation to administer the Industrial Expansion Fund as it related to the accounts sent to the Corporation for administration from time to time. The Corporation's activities are administered through a division of the Nova Scotia Department of Economic Development and Tourism (formerly the Nova Scotia Economic Renewal Agency).

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraph (a) below. Paragraph (b) and (c) describe significant accounting policies of the Fund.

**(a) Administrative expenses, interest revenue and expense**

Administrative expenses of the Fund, and revenues earned on guarantees, are included in the accounts of the Department of Economic Development and Tourism and are not reflected in the financial statements. 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 is included in the accounts of the Department of Finance.

**(b) Provision for Concessionary Assistance**

The Fund provides for the effect of the decrease in the valuation of certain loans and shares due to assistance being provided with concessionary terms.

**(c) Allowance for Doubtful Accounts**

The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis. In addition, a general reserve is provided on any unreserved assistance outstanding.

### 3. Venture Corporations 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, the proceeds of which 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 one venture corporation repaid a total of \$151,000 (1996 - \$62,084) against the principal balance of its loan.

	1997	1996
	(in thousands)	
Loans made to venture corporations . . . . .	\$ 3,316	\$ 3,467
Less: Allowance for doubtful accounts . . . . .	<u>2,789</u>	<u>2,796</u>
	<u>\$ 527</u>	<u>\$ 671</u>

### 4. Shares

	1997	1996
	(in thousands)	
Preferred shares . . . . .	\$ 10,000	\$ 10,000
Common shares . . . . .	<u>1,556</u>	<u>---</u>
	<u>\$ 11,556</u>	<u>\$ 10,000</u>

### 5. Provision for Concessionary Assistance

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 (NBV) related to each of loans and shares is as follows:

	<u>1997</u>			<u>1996</u>
	<b>Assistance Outstanding</b>	<b>Provision for Concessionary Assistance</b>	<b>NBV</b>	<b>NBV</b>
	(in thousands)			
Loans .....	\$ 76,199	\$ 40,148	\$ 36,051	\$ 28,490
Shares .....	<u>6,000</u>	<u>3,217</u>	<u>2,783</u>	<u>4,020</u>
	<u>\$ 82,199</u>	<u>\$ 43,365</u>	<u>\$ 38,834</u>	<u>\$ 32,510</u>

#### 6. Guarantees

Guarantees have been provided for the following purposes:

	<u>1997</u>	<u>1996</u>
	(in thousands)	
Authorized		
Bank loan guarantees .....	\$ 10,979	\$ 14,153
Performance guarantee .....	<u>25,000</u>	<u>40,000</u>
	<u>\$ 35,979</u>	<u>\$ 54,153</u>
In Effect and Utilized		
Bank loan guarantees .....	\$ 7,242	\$ 8,000
Performance guarantee .....	<u>25,000</u>	<u>25,000</u>
	32,242	33,000
In Effect but not Utilized .....	<u>3,737</u>	<u>21,153</u>
	<u>\$ 35,979</u>	<u>\$ 54,153</u>

Of the guarantees outstanding at year end, there was one for \$9,000,000 which was authorized under the Provincial Finance Act. A Report and Recommendation is being prepared to amend this and have it authorized under the Industrial Development Act.

#### 7. Assistance Authorized but Unadvanced

	<u>1997</u>	<u>1996</u>
	(in thousands)	
Loans .....	\$ 14,750	\$ 619
Shares .....	<u>2,334</u>	<u>1,100</u>
	<u>\$ 17,084</u>	<u>\$ 1,719</u>

#### 8. Contributed Surplus

Contributed surplus represents the balance of funds provided to the Industrial Expansion Fund for the purpose of providing assistance in accordance with the terms of the Canada-Nova Scotia Development Fund Agreement.

**9. Provision for Concessionary Assistance and Possible Losses on Assistance**

The following is a continuity of the provision:

	1997	1996
	(in thousands)	
Balance, beginning of year . . . . .	\$ 72,380	\$ 95,188
Less: Current year recovery . . . . .	4,334	2,645
Accounts written-off . . . . .	<u>3,521</u>	<u>20,163</u>
	<u>7,855</u>	<u>22,808</u>
Balance, end of year	<u>\$ 64,525</u>	<u>\$ 72,380</u>

**10. Contingency**

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. An estimate 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.

**11. Subsequent Event**

On August 30, 1995 the government's Priorities and Planning Committee directed that, as of April 1, 1996, the Aquaculture Loan Guarantee Program be transferred from the Department of Economic Development and Tourism to the Department of Fisheries and Aquaculture. The Fisheries and Aquaculture Loan Board will administer the guarantees on behalf of the Department of Fisheries and Aquaculture. Subsequent to March 31, 1997 \$1,000,000 of loan guarantees were transferred to the Board.

**AUDITOR'S REPORT**

To the Minister of Health, the Minister of Finance; and  
To the Chair and Members of the Seniors' Pharmacare Board

I have audited the balance sheet of the Insured Prescription Drug Plan Trust Fund as at March 31, 1997, and the statements of revenues, expenses, and fund balance for the year then ended. These financial statements are the responsibility of the management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Insured Prescription Drug Plan Trust Fund as at March 31, 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
August 11, 1997

## PROVINCE OF NOVA SCOTIA

## INSURED PRESCRIPTION DRUG PLAN TRUST FUND

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996
Cash .....	\$ 2,029,327	\$ 286,229
Receivables		
Seniors .....	254,714	463,065
Province of Nova Scotia .....	122,519	---
Investments (Note 2) .....	<u>2,597,400</u>	<u>19,812,699</u>
	<u>\$ 5,003,960</u>	<u>\$ 20,561,993</u>

## LIABILITIES AND FUND BALANCE

## Liabilities

Payables and accruals .....	\$ 1,580,371	\$ 1,486,598
Prepaid 1997-98 premiums .....	8,585,698	---
Payable to Province of Nova Scotia .....	---	20,752,822
Payable to Low Income Trust Fund (Note 4) .....	<u>22,003</u>	<u>(1,677,427)</u>
	10,188,072	20,561,993
<b>Fund Balance (Deficit) (Note 5) .....</b>	<u>(5,184,112)</u>	<u>---</u>
	<u>\$ 5,003,960</u>	<u>\$ 20,561,993</u>

## PROVINCE OF NOVA SCOTIA

## INSURED PRESCRIPTION DRUG PLAN TRUST FUND

## Statement of Revenues, Expenses and Fund Balance (Deficit)

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Seniors		
Premiums paid by seniors . . . . .	\$ 10,876,998	\$ 9,057,512
Premiums paid from the		
Low Income Trust Fund (Note 4) . . . . .	12,197,795	13,163,474
Co-payments to pharmacies . . . . .	<u>12,054,370</u>	<u>9,136,455</u>
	35,129,163	31,357,441
Department of Health		
Department's 50% share of expenses . . . . .	41,609,047	41,147,168
Investment income . . . . .	<u>1,295,772</u>	<u>104,182</u>
	<u>78,033,982</u>	<u>72,608,791</u>
<b>Expenses</b>		
Provider claims . . . . .	<u>83,218,094</u>	<u>82,294,336</u>
<b>Excess of Expenses over Revenues</b>	(5,184,112)	(9,685,545)
Additional contribution from		
Province of Nova Scotia (Note 3) . . . . .	<u>---</u>	<u>9,685,545</u>
<b>Excess of Expenses over Revenues</b>		
<b>and Additional Contribution</b> . . . . .	(5,184,112)	---
<b>Fund Balance, beginning of year</b> . . . . .	<u>---</u>	<u>---</u>
<b>Fund Balance (Deficit), end of year (Note 5)</b> . . . . .	<u>\$ (5,184,112)</u>	<u>\$ ---</u>



**PROVINCE OF NOVA SCOTIA****INSURED PRESCRIPTION DRUG PLAN TRUST FUND****Notes to Financial Statements****March 31, 1997****1. Authority**

Seniors' Pharmacare is a voluntary prescription drug insurance plan with costs shared between seniors and the Government of Nova Scotia effective April 1, 1995. The Insured Prescription Drug Plan Trust Fund was established pursuant to Order-In-Council 95-557 on July 25, 1995. Contributions made by seniors and government are placed in the Insured Prescription Drug Plan Trust Fund and are used to pay Seniors' Pharmacare program costs.

**2. Significant Accounting Policies****Investments**

Investments consist of government and corporate bonds, and short-term investments. All investments are carried at cost which approximate market value.

**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**

Maritime Medical Care Inc. administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the 1996-97 fiscal year were paid by the Province of Nova Scotia and are not reported in these financial statements.

**3. Transitional Provision**

Seniors' Pharmacare is funded by government and seniors. For the 1995-96 fiscal year, revenues from seniors were not sufficient to meet 50% of program expenses. The Province of Nova Scotia provided an additional contribution for the 1995-96 fiscal year only.

**4. Low Income Trust Fund**

The Insured Prescription Drug Plan Low Income Trust Fund was established pursuant to Order-In-Council 95-558 on July 25, 1995. The Province of Nova Scotia's contributions to the Low Income Trust Fund are used to assist low income seniors with Seniors' Pharmacare premiums and co-payments costs. These financial statements include the premium revenues for which the Low Income Trust Fund is responsible but do not include the assets, liabilities, fund balance, revenues and other expenses of the Low Income Trust Fund.

**5 Fund Balance (Deficit)**

For the 1996-97 fiscal year, revenues from the Department of Health were sufficient to meet 50% of program expenses. However, revenues from seniors were insufficient to cover the remaining 50% of expenses. This shortfall, in the amount of \$5,184,112 is reflected as a Fund deficit. The funding of the deficit is currently being reviewed by the Board and government.

**6 Comparative Figures**

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

## PROVINCE OF NOVA SCOTIA

## LAW REFORM COMMISSION

## BALANCE SHEET

as at March 31, 1997

## ASSETS

		1997
<b>Current Assets</b>		
Petty Cash . . . . .	\$	74.85
Bank Operating Account . . . . .	2,847.46	
Term Deposits . . . . .	67,545.12	
Total Cash . . . . .		<u>70,392.58</u>
<b>Total Current Assets</b> . . . . .		<u>70,467.43</u>
 <b>Fixed Assets</b>		
Computer Office Equipment . . . . .	11,795.83	
Accum Computer Office Equipment . . . . .	(3,931.94)	
Net Office Equipment . . . . .		<u>7,863.89</u>
<b>Total Fixed Assets</b> . . . . .		<u>7,863.89</u>
<b>Total Assets</b> . . . . .	\$	<u><u>78,331.32</u></u>

## LIABILITIES

<b>Current Liabilities</b>		
Accrued Salary . . . . .	\$	15,558.00
Vacation Pay Accrual . . . . .		2,600.00
Accounts Payable . . . . .		3,183.30
Accrued Audit . . . . .		3,500.00
Vacation Payable . . . . .		368.79
UIC Payable . . . . .	188.40	
CPP Payable . . . . .	132.76	
Income Tax Payable . . . . .	477.56	
Receiver General Payable . . . . .		<u>798.72</u>
<b>Total Current Liabilities</b> . . . . .		<u>26,008.81</u>
<b>Total Liabilities</b> . . . . .		<u>26,008.81</u>

## PROVINCE OF NOVA SCOTIA

## LAW REFORM COMMISSION

## BALANCE SHEET (continued)

as at March 31, 1997

## EQUITY

	1997
<b>Surplus</b>	
Surplus Beginning of Year .....	12,592.09
Surplus Current Year .....	<u>39,730.42</u>
<b>Accumulated Surplus</b> .....	<u>52,322.51</u>
<b>Total Equity</b> .....	<u>52,322.51</u>
<b>Liabilities and Equity</b> .....	<u>\$ 78,331.32</u>

## PROVINCE OF NOVA SCOTIA

## LAW REFORM COMMISSION

## STATEMENT OF INCOME

as at March 31, 1997

	1997
<b>Revenue</b>	
Operating & Project Income	
Attorney General Contribution . . . . .	\$ 150,000.00
NS Law Foundation Contribution . . . . .	125,000.00
Interest Income . . . . .	1,548.10
Miscellaneous Income . . . . .	1,509.77
<b>Total Contributions</b> . . . . .	<u>278,057.87</u>
<b>Total Revenue</b> . . . . .	<u>278,057.87</u>
<b>Expenses</b>	
Project Expenses	
Project Advisory Group . . . . .	---
Project Meeting Costs . . . . .	974.92
Project Non Legal Consult . . . . .	2,978.08
Project Library Cost . . . . .	42.15
Project Commissioners Fees & Disbursements . . . . .	10,378.80
Project Legal Consultant . . . . .	2,518.08
Project Conferences/Workshops . . . . .	120.00
Project Courier . . . . .	412.46
Project GST Cost . . . . .	306.46
Project Photocopy/Printing Cost . . . . .	13,665.64
Project Distribution . . . . .	3,036.07
Project Travel & Transportation . . . . .	576.73
<b>Total Special Project Cost</b> . . . . .	<u>35,009.39</u>

## PROVINCE OF NOVA SCOTIA

## LAW REFORM COMMISSION

## STATEMENT OF INCOME (continued)

as at March 31, 1997

1997

**Administrative Expenses**

Wages .....	125,338.47	
UIC .....	2,981.35	
CPP .....	1,802.61	
Group Insurance .....	283.33	
Vacation Payable .....	40.80	
<b>Total Personnel Related</b> .....		130,446.56
Non Legal Consultants Fees .....		366.55
Admin Commissioners Fees & Disbursements .....		7,734.66
Electrical Expense .....		802.94
Meeting Costs .....		102.71
Library .....		1,526.43
Amortization .....		3,931.94
Write off of Fixed Assets .....		15,378.74
Audit Fees .....		3,500.00
Professional Fees .....		1,780.00
Computer Office Equipment .....		109.95
Internet .....		340.00
Admin Travel Costs .....		605.75
Rent .....	16,736.32	
Office Equipment .....	403.48	
Insurance .....	513.00	
<b>Total Premises Related</b> .....		17,652.80
Office Supplies .....	2,432.21	
Parking .....	661.00	
Photocopy/Printing .....	338.00	
Petty Cash .....	34.14	
Postage & Courier .....	3,493.07	
Telephone - Equipment & Internet .....	5,002.38	
Telephone - Long Distance Charges .....	464.56	
Conference/Workshop .....	4.00	
Staff Development. & Reg. Fees .....	580.00	
Office Equipment Maintenance .....	720.10	
<b>Total Office Related</b> .....		13,729.46
Bank Charges .....		322.57
Miscellaneous .....		1,735.90
GST Paid On Purchases .....		3,251.10
<b>Total Administration</b> .....		203,318.06
<b>Total Expenses</b> .....		238,327.45
<b>Net Income</b> .....		\$ 39,730.42

**AUDITOR'S REPORT**

To the Members of the Legislative Assembly

I have audited the statement of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1997. This financial statement is the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this statement presents fairly, in all material respects, the transactions of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1997 in accordance with the provisions of the Members' Retiring Allowances Act as disclosed in the notes to the financial statement.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
May 22, 1997

**PROVINCE OF NOVA SCOTIA**

**STATEMENT OF THE ACCOUNTS ESTABLISHED UNDER**

**THE MEMBERS' RETIRING ALLOWANCES ACT**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
Balance, beginning of year . . . . .	\$ 46,062,406	\$ 43,336,131
<i>Add:</i>		
Standard contributions		
Members . . . . .	260,309	255,377
Government . . . . .	260,309	255,377
Interest . . . . .	3,916,505	3,608,575
Additional government contributions (Note 3) . . . . .	768,351	760,915
	<u>5,205,474</u>	<u>4,880,244</u>
<i>Deduct:</i>		
Allowances (pensions) . . . . .	2,158,254	2,145,273
Professional services . . . . .	4,500	8,696
Refunds - contributions . . . . .	7,701	---
- interest . . . . .	10,047	---
Actuarial adjustment (Note 3) . . . . .	7,123,378	---
	<u>\$ 9,303,880</u>	<u>\$ 2,153,969</u>
Balance, end of year . . . . .	<u>\$ 41,964,000</u>	<u>\$ 46,062,406</u>
 Note: Number of contributors during the year . . . . .	 44	 45
Number of persons receiving allowances during the year . . . . .	85	85



**PROVINCE OF NOVA SCOTIA**  
**THE ACCOUNTS ESTABLISHED UNDER**  
**THE MEMBERS' RETIRING ALLOWANCES ACT**

**Notes to Financial Statement**

**for the year ended March 31, 1997**

**1. Authority and Description of Plans**

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 and the 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, allowances and salaries and the Province contributes an equal amount. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the three highest 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.

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. Significant Account Policies**

In accordance with the provisions of the Members' Retiring Allowances Act this financial statement has been prepared on the cash basis of accounting. 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.

For reporting purposes, the contributions and allowances under the Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance account are combined.

### 3. Actuarial Valuation

Actuarial valuations of benefits under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of liabilities as at the valuation date, calculated on the basis of various assumptions with respect to pension plan costs and interest rates. The latest actuarial valuation was conducted by Sobeco Ernst & Young based on information as of August 31, 1996.

The actuarial valuation projects liabilities for each member on the basis of service earned to that date and the projected average indemnities, allowances and salaries at the date of retirement.

The valuation indicated that at August 31, 1996 the accounts had actuarial liabilities of \$41,038,000. The liability accounts at the same date had balances totalling \$47,389,000 giving rise to an accounting surplus of \$6,351,000. The valuation was based on the following key assumptions.

Investment earnings	- pre-retirement rate of 8%
	- post-retirement rate of 4.35% (net of assumed pensioner cost-of-living increases per annum)
Salary escalation	- year 1 - 0.0%, year 2+ -3.5%
Cost of living escalation	- 3.5%

During the year, the Province made additional contributions of \$768,351 (1995 - \$760,915). This was based on the September 3, 1993 valuation which indicated that the Province would be required to contribute 39.6% of total payroll (indemnities, allowances and salaries) of contributing members, including the 10% matching portion.

A Department of Finance internally prepared estimate as at March 31, 1997, calculated the surplus in the accounts at \$7,123,378. The accounts were adjusted to reflect this revised estimate of actuarial values.

**AUDITOR'S REPORT**

To the Minister of Economic Development and Tourism; and  
To the Chairman and Members of the Board of Directors  
of the Nova Scotia Business Development Corporation

I have audited the balance sheet of the Nova Scotia Business Development Corporation as at March 31, 1997, and the statement of continuity of Fund 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 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, 1997, and the continuity of Fund for the year then ended in accordance with the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
May 23, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION**  
**NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
<b>Loans and Shares, at cost</b>		
Loans Receivable . . . . .	\$ 132,937	\$ 138,033
Community Business Loan Program . . . . .	4,113	4,190
Shares (Note 3) . . . . .	16,970	10,178
	<u>154,020</u>	<u>152,401</u>
 <i>Less:</i> Provision for Concessionary Assistance (Note 4) . . . . .	 31,255	 32,093
Allowance for Doubtful Accounts . . . . .	26,884	18,720
	<u>58,139</u>	<u>50,813</u>
	95,881	101,588
 <b>Industrial Parks (Note 5) . . . . .</b>	 <u>24,336</u>	 <u>24,191</u>
 <b>Other Assets (Note 6) . . . . .</b>	 6,933	 7,368
<i>Less:</i> Provision for Decline in Value . . . . .	1,726	2,328
	<u>5,207</u>	<u>5,040</u>
 <b>Due from Consolidated Fund</b>		
Guarantees (Note 7) . . . . .	24,310	22,455
<i>Less:</i> Provision for Payment under Guarantees . . . . .	5,719	5,955
	<u>18,591</u>	<u>16,500</u>
Assistance Authorized but Unadvanced . . . . .	31,687	45,765
	<u>50,278</u>	<u>62,265</u>
	<u>\$ 175,702</u>	<u>\$ 193,084</u>

**FUNDING AUTHORIZED AND COMMITTED**

<b>Authorized, Net of Write-Offs . . . . .</b>	<b>\$ 312,938</b>	<b>\$ 315,141</b>
<i>Less:</i> Provision for Concessionary Assistance and Possible Losses on Assistance (Note 8) . . . . .	 65,584	 59,096
Net Fund Balance . . . . .	<u>247,354</u>	<u>256,045</u>
 <i>Less:</i> Uncommitted Balance of Fund . . . . .	 71,652	 62,961
	<u>\$ 175,702</u>	<u>\$ 193,084</u>

Contingency (Note 9)

See accompanying notes to financial statements

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION

## NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND

## Statement of Continuity of Fund

for the year ended March 31, 1997

	1997	1996
	(in thousands)	
<b>Balance, beginning of year</b> .....	\$ 315,141	\$ 319,316
<i>Add:</i> Additional funds authorized .....	---	3,000
<i>Deduct:</i> Accounts written-off .....	<u>2,203</u>	<u>7,175</u>
<b>Balance, end of year</b> .....	<u>\$ 312,938</u>	<u>\$ 315,141</u>
Comprising:		
Loans receivable, shares and other assets .....	\$ 160,953	\$ 159,769
Industrial parks .....	24,336	24,191
Guarantees in effect and utilized .....	13,531	17,306
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized .....	42,466	50,914
Uncommitted balance .....	<u>71,652</u>	<u>62,961</u>
	<u>\$ 312,938</u>	<u>\$ 315,141</u>

See accompanying notes to financial statements

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION****NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND****Notes to Financial Statements****March 31, 1997****1. Authority**

The Nova Scotia Business Development Corporation was established pursuant to the Business Development Corporation Act. The Act provided for the creation of the Nova Scotia Business Development Corporation Fund. The object of the Corporation is to encourage business development in the Province by providing financial assistance to business through the Fund, or such other assistance as may be determined by the Governor-in-Council. The Corporation's activities are administered through a division of the Department of Economic Development and Tourism (formerly the Nova Scotia Economic Renewal Agency).

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (c) and (d) below.

**Administrative Expenses, Interest Revenue and Expense**

(a) Administrative expenses of the Corporation, and revenues earned on guarantees are included in the accounts of the Department of Economic Development and Tourism and are not reflected in the financial statements. 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 is included in the accounts of the Department of Finance.

**Industrial Parks**

(b) Industrial parks are carried at cost of acquisition plus direct costs of improvements, net of proceeds of disposal. Selling prices are established using a number of considerations and may be set to provide financial assistance. The park lands are reflected on an aggregate basis at the lower of cost or estimated market value.

(c) The buildings in the parks are carried at book value. No depreciation is charged on the buildings.

(d) Effective April 1, 1994 operational responsibility for the industrial parks was transferred to the Department of Transportation and Public Works. Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

**Other Assets**

(e) Properties which are rented to third parties under capital lease arrangements are carried at unamortized cost. A portion of rent received on capital leases is recorded as a reduction in the carrying value of individual assets.

Properties acquired through foreclosure are carried at the cost of foreclosure acquisition.

Properties acquired through default of capital leases are carried at the unamortized value of the lease.

When a permanent reduction in the value of a property under a capital lease arrangement becomes known, the carrying cost of the property is reduced to net realizable value.

Properties in default under capital lease arrangements and properties acquired through foreclosure are subject to a provision for write down annually to estimated realizable value.

**Provision for Concessionary Assistance**

(f) The Corporation provides for the effect of the decrease in valuation of certain loans and shares due to the assistance being provided with concessionary terms.

**Allowance for Doubtful Accounts**

(g) The Corporation provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis except for loans under the Community Business Loan Program for which a blanket provision is determined based on past years' loan performance. In addition, a general reserve is provided on any unreserved assistance outstanding.

**3. Shares**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
Preferred shares . . . . .	\$ 12,370	\$ 10,178
Common shares . . . . .	4,600	---
	<u>\$ 16,970</u>	<u>\$ 10,178</u>

**4. Provision for Concessionary Assistance**

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 Corporation.

The terms of concessionary assistance through the Corporation 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 (NBV) related to each of loans and shares is as follows:

	1997			1996	
	Assistance Outstanding	Provision for Concessionary Assistance	NBV	NBV	
	(in thousands)				
Loans .....	\$ 35,014	\$ 24,359	\$ 10,655	\$	14,635
Shares .....	11,769	6,896	4,873	5,493	
	\$ 46,783	\$ 31,255	\$ 15,528	\$	20,128

The 1996 figures have been adjusted to be comparable to this year's figures.

#### 5. Industrial Parks

These parks consist of land in various stages of development from unimproved to fully developed and serviced lots. The parks also include buildings, which are mainly used as incubator malls.

No provision has been made to reflect on an individual park-by-park basis the difference between the carrying cost and fair market value. As at March 31, 1997 the cost of parks in excess of management's determination of market value totalled \$6,312,007 (market value - \$2,746,120). The cost of parks where market value exceeded cost was \$11,497,810 (market value - \$17,466,150). This results in an estimated net excess of current market value over carrying costs of approximately \$2,402,453.

The balance of the cost of industrial parks of \$6,525,696 is represented by the book value at March 31, 1997 of the incubator malls, other buildings and property.

#### 6. Other Assets

	1997		1996	
	(in thousands)			
Leased Properties .....	\$	1,924	\$	3,214
Assets Acquired by Foreclosure .....		5,009		4,154
	\$	6,933	\$	7,368



**7. Guarantees**

	1997	1996
	(in thousands)	
Guarantees - In effect and utilized . . . . .	\$ 13,531	\$ 17,306
Guarantees - In effect but not utilized . . . . .	<u>10,779</u>	<u>5,149</u>
	<u>\$ 24,310</u>	<u>\$ 22,455</u>

During the year three guarantees totalling \$2,555,000 were paid out.

**8. Provision for Concessionary Assistance and Possible Losses on Assistance**

The following is a continuity of the provision:

	1997	1996
	(in thousands)	
<b>Balance, beginning of year . . . . .</b>	<b>\$ 59,096</b>	<b>\$ 60,393</b>
Add: Current year provision . . . . .	8,691	5,878
Deduct: Accounts written-off . . . . .	<u>2,203</u>	<u>7,175</u>
<b>Balance, end of year . . . . .</b>	<b><u>\$ 65,584</u></b>	<b><u>\$ 59,096</u></b>

**9. Contingency**

The Corporation has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be made with any certainty and are not reflected in the financial statements.

**AUDITOR'S REPORT**

To the Minister of Agriculture and Marketing; and  
To the Vice Chair and Members of the Nova Scotia Crop  
and Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop and Livestock Insurance Commission as at March 31, 1997, and the statement of income and fund balances 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 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, 1997 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 24, 1997

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996
<b>Current Assets</b>		
Cash . . . . .	\$ 57,927	\$ 54,958
Short-term investments . . . . .	5,044,972	4,723,883
Accounts receivable . . . . .	5,775	19,321
Accrued interest receivable . . . . .	60,720	79,917
	<u>\$ 5,169,394</u>	<u>\$ 4,878,079</u>

## LIABILITIES AND FUND BALANCES

## Current Liabilities

Unearned premiums . . . . .	\$ 32,102	\$ 31,784
Deposits for insurance . . . . .	526	7,081
Provision for payment of unsettled indemnities (Note 3) . . . . .	4,107	15,554
Due to GRIP revenue protection component . . . . .	---	9
	<u>36,735</u>	<u>54,428</u>

## Fund Balances

Crop insurance . . . . .	4,193,132	3,633,520
GRIP crop insurance . . . . .	---	268,732
Livestock insurance . . . . .	939,527	921,399
	<u>5,132,659</u>	<u>4,823,651</u>
	<u>\$ 5,169,394</u>	<u>\$ 4,878,079</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Income and Fund Balances

for the year ended March 31, 1997

	Crop Insurance	Livestock Insurance	Other	Totals	
				1997	1996
<b>Revenues</b>					
Insurance premiums (Schedule A) .....	\$ 577,460	\$ 26,173	\$ ---	\$ 603,633	\$ 574,517
Interest income .....	176,055	39,916	---	215,971	306,628
	<u>753,515</u>	<u>66,089</u>	<u>---</u>	<u>819,604</u>	<u>881,145</u>
<b>Expenses</b>					
Indemnity claims (Schedule A) .....	455,918	47,961	---	503,879	325,327
Bad debt expense .....	6,717	---	---	6,717	---
Administrative expenses (Schedule B) .....	507,693	5,182	5,182	518,057	518,032
	<u>970,328</u>	<u>53,143</u>	<u>5,182</u>	<u>1,028,653</u>	<u>843,359</u>
Income (loss) before Government contributions .....	(216,813)	12,946	(5,182)	(209,049)	37,786
Government contributions (Note 4) .....	507,693	5,182	5,182	518,057	518,032
<b>Net Income</b> .....	290,880	18,128	---	309,008	555,818
<b>Fund Balance</b>					
Beginning of year * .....	3,902,252	921,399	---	4,823,651	4,267,833
End of year .....	\$ <u>4,193,132</u>	\$ <u>939,527</u>	\$ <u>---</u>	\$ <u>5,132,659</u>	\$ <u>4,823,651</u>

\* The fund balance for Crop Insurance at the beginning of the year has been increased by \$268,732 to reflect the termination of the Commission's participation in the Gross Revenue Insurance Plan, and the transfer of the GRIP - Crop Insurance beginning of year fund balance into the Crop Insurance Fund (Note 7).

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

## Notes to Financial Statements

March 31, 1997

**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 generally accepted accounting principles modified by the policy of charging furniture and equipment purchases to expense in the year of acquisition.

**3. Provision for Payment of Unsettled Indemnities**

Any indemnities for losses incurred in the fiscal year not paid as of year end have been 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.

**4. Government Contributions**

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 1997 fiscal year, the Federal government contributed 49% (1996 - 48.5%) of the total administrative expenses. The Provincial government funded the remainder.

**5. Insurance Coverage**

The total insurance coverage under the original program as of March 31, 1997 was \$33,515,774 (1996 - \$33,954,774), comprising crop insurance of \$11,406,574 (1996 - \$10,045,374) and livestock insurance of \$22,109,200 (1996 - \$23,909,400).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes 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. Transactions concerning this Fund are recorded by the Province and are not reflected in the accounting records of the Commission.

There is no Re-insurance Fund for livestock. The Province is responsible for any deficiency in these funds.

**6. 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.

**7. Gross Revenue Insurance Plan**

In accordance with Section 20.2(a) of the Canada/Nova Scotia Crop Insurance Agreement, the Province has given notice that it will terminate its participation in the plan on March 31, 1998. In accordance with Section 29.1 of the agreement, the surplus related to the crop insurance portion of the plan has been transferred to the Province of Nova Scotia crop insurance fund.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

## Premium Revenue and Indemnity Claims

for the year ended March 31, 1997

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	1997	1996	1997	1996
<b>Crop Insurance</b>							
Spring grain . . . . .	\$ 31,380	\$ 15,690	\$ 15,690	\$ 62,760	\$ 6,861	\$ 52,385	\$ 11,172
Winter grain . . . . .	7,686	3,843	3,843	15,372	8,216	5,158	---
Tree fruit . . . . .	124,206	62,103	62,103	248,412	217,482	56,044	74,194
Tobacco . . . . .	---	---	---	---	20,226	---	---
Corn . . . . .	31,034	15,517	15,517	62,068	5,476	67,198	1,785
Peas & Beans . . . . .	46,410	23,205	23,205	92,820	100,619	89,179	51,436
Blueberries . . . . .	25,215	12,607	12,607	50,429	46,765	144,488	51,217
Strawberries . . . . .	3,541	1,771	1,771	7,083	16,098	11,134	7,389
Forage . . . . .	648	324	324	1,296	1,851	---	---
Soybeans . . . . .	3,767	1,884	1,884	7,535	389	7,156	---
Potatoes . . . . .	14,843	7,421	7,421	29,685	34,262	23,176	86,284
	<u>288,730</u>	<u>144,365</u>	<u>144,365</u>	<u>577,460</u>	<u>458,245</u>	<u>455,918</u>	<u>283,477</u>
<b>GRIP Crop Insurance</b>							
Spring grain . . . . .	---	---	---	---	41,946	---	32,895
Corn . . . . .	---	---	---	---	32,396	---	857
Winter grain . . . . .	---	---	---	---	6,339	---	828
Soybeans . . . . .	---	---	---	---	8,725	---	---
	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>89,406</u>	<u>---</u>	<u>34,580</u>
<b>Livestock Insurance</b>							
Dairy . . . . .	26,173	---	---	26,173	26,866	47,961	7,270
<b>Total . . . . .</b>	<u>\$ 314,903</u>	<u>\$ 144,365</u>	<u>\$ 144,365</u>	<u>\$ 603,633</u>	<u>\$ 574,517</u>	<u>\$ 503,879</u>	<u>\$ 325,327</u>

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses

for the year ended March 31, 1997

	Crop Insurance	Livestock Insurance	Other	Totals	
				1997	1996
Personnel . . . . .	\$ 352,766	\$ 3,600	\$ 3,600	\$ 359,966	\$ 352,657
Transportation and communication . . . . .	49,948	510	510	50,968	54,641
Information . . . . .	5,660	58	58	5,776	7,676
Professional and special services . . . . .	14,527	148	148	14,823	14,650
Office accommodation and equipment rental . . . . .	34,223	349	349	34,921	34,472
Repair and maintenance of equipment . . . . .	3,220	33	33	3,286	2,300
Utilities, materials and supplies . . . . .	2,817	29	29	2,875	5,644
Capital purchases less than \$50,000 . . . . .	7,126	73	73	7,272	7,822
Other expenditures . . . . .	37,406	382	382	38,170	38,170
	<u>\$ 507,693</u>	<u>\$ 5,182</u>	<u>\$ 5,182</u>	<u>\$ 518,057</u>	<u>\$ 518,032</u>



**AUDITOR'S REPORT**

To the Minister of Agriculture and Marketing; and  
To the Chairman and Members of the Nova Scotia Farm Loan Board

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1997. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with 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 presents fairly, in all material respects, the financial position of the Board as at March 31, 1997 in accordance with the accounting policies set out in Note 2 of the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
May 12, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA FARM LOAN BOARD**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
Accounts receivable . . . . .	\$ 1,013	\$ 886
Loans receivable (Note 3, Schedule 1) . . . . .	131,725	140,333
Real estate (Note 4) . . . . .	5,618	6,157
	<u>\$ 138,356</u>	<u>\$ 147,376</u>

**LIABILITIES**

Insurance reserve (Note 5) . . . . .	\$ 1,878	\$ 1,740
Advance from Department of Finance (Note 6) . . . . .	136,478	145,636
	<u>\$ 138,356</u>	<u>\$ 147,376</u>

Commitments (Note 7)

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA FARM LOAN BOARD**

**Notes to Balance Sheet**

**March 31, 1997**

**1. Authority**

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policy.

Administrative expenses of the Board, and the interest and lease revenues earned are included in the records of the Nova Scotia Department of Agriculture and Marketing. Capital advance interest charges are recorded in the accounts of the Department of Finance. These amounts are not reflected in these financial statements. These statements also exclude accrued loan interest receivable.

**3. Loans Receivable**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
Farm loans . . . . . \$	135,061 \$	143,177
Timber loans . . . . .	1,858	2,142
	136,919	145,319
Less: Allowance for doubtful accounts . . . . .	5,194	4,986
	\$ 131,725	\$ 140,333

Included in farm loans at March 31, 1996 are loan advances of \$467,321 held in trust by private sector lawyers. The funds were subsequently disbursed upon completion of certain legal requirements stipulated by the Board. There were no loan advances held in trust by private sector lawyers at March 31, 1997.

**4. Real Estate -** at lower of cost and net realizable value

	<b>1997</b>	<b>1996</b>
	(in thousands)	
Real estate being leased or held . . . . . \$	1,279 \$	1,187
Land bank . . . . .	4,596	5,389
Land consolidation		
Agricultural Rural Development		
Agreement (ARDA) . . . . .	176	195
Less: Federal Government share of cost of		
ARDA properties . . . . .	(88)	(98)
Held for Department of Agriculture and		
Marketing . . . . .	542	458
	<u>6,505</u>	<u>7,131</u>
Less: Allowance for doubtful recoveries . . . . .	887	974
	<u>\$ 5,618</u>	<u>\$ 6,157</u>

**5. Insurance Reserve**

The Board requires borrowers to participate in a group life program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy and pay for professional services related to the program.

Of the total reserve, \$1,143,000 (1996 - \$1,170,000) is held by the Department of Finance, which reduces the Board's advances from the Department. The remaining \$735,000 (1996 - \$570,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

**6. Advance from Department of Finance**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
Advance from Department of Finance . . . . . \$	<u>144,437</u>	<u>153,336</u>
Less: Insurance reserve . . . . .	1,878	1,740
Allowance for doubtful accounts		
and recoveries . . . . .	6,081	5,960
	<u>7,959</u>	<u>7,700</u>
	<u>\$ 136,478</u>	<u>\$ 145,636</u>

**7. Commitments**

As at March 31, 1997, the Board had authorized loans of \$4,145,466 (1996 - \$4,170,284) which had not been disbursed.

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA FARM LOAN BOARD**

**Continuity of Loans Receivable**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
<b>Loans receivable</b>		
Balance, beginning of year . . . . .	\$ 145,319	\$ 143,868
<i>Add:</i> Advances made		
Farm loans . . . . .	22,748	20,340
Timber loans . . . . .	---	510
	22,748	20,850
<i>Deduct:</i> Payments received		
Farm loans . . . . .	30,519	18,326
Timber loans . . . . .	285	134
Net transfers to real estate . . . . .	344	939
	31,148	19,399
Balance, end of year . . . . .	136,919	145,319
<b>Allowance for doubtful accounts</b> . . . . .	5,194	4,986
<b>Loans receivable, net of allowance</b> . . . . .	\$ 131,725	\$ 140,333

**AUDITOR'S REPORT**

To the Members of the Legislative Assembly; and  
To the Minister of Economic Development and Tourism

I have audited the balance sheet of Nova Scotia Film Development Corporation as at March 31, 1997 and the statement of operations and surplus 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 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, 1997 and the results of its operations for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

E.R. SALMON, F.C.A.  
Auditor General

Halifax, Nova Scotia  
July 3, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

	1997	1996
<b>Current</b>		
Cash and short-term investments . . . . . \$	519,403	\$ 703,724
Demand notes receivable . . . . .	128,000	80,859
Other receivables . . . . .	7,870	---
	<u>\$ 655,273</u>	<u>\$ 784,583</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued liabilities . . . . . \$	46,280	\$ 21,609
Unearned revenue . . . . .	270	657
	<u>46,550</u>	<u>22,266</u>

**SURPLUS**

Surplus (Note 3) . . . . .	608,723	762,317
	<u>\$ 655,273</u>	<u>\$ 784,583</u>

Contingent Commitments - \$654,413 (1996 - \$740,400) (Note 3)



## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA FILM DEVELOPMENT CORPORATION

## Statement of Operations and Surplus

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Contributions from the Department of Economic Development and Tourism (Note 4) . . . . . \$	1,717,500	\$ 1,590,800
Recovery of equity investments (Note 5) . . . . .	58,581	81,163
Production Guide advertising . . . . .	34,477	32,333
Interest and other income . . . . .	42,482	59,001
	<u>1,853,040</u>	<u>1,763,297</u>
<b>Expenditures</b>		
Assistance programs		
Equity investments (Note 5) . . . . .	1,294,000	953,815
Project development loans (Note 6) . . . . .	87,277	143,474
Special project grants . . . . .	136,336	125,175
	<u>1,517,613</u>	<u>1,222,464</u>
Less: Recovery of project development loans . . . . .	(74,371)	(16,000)
	<u>1,443,242</u>	<u>1,206,464</u>
Administrative expenses (Schedule 1) . . . . .	563,392	467,554
	<u>2,006,634</u>	<u>1,674,018</u>
<b>Excess (Deficiency) of Revenues over Expenditures . . . . .</b>	<b>(153,594)</b>	<b>89,279</b>
<b>Surplus - beginning of year . . . . .</b>	<b>762,317</b>	<b>673,038</b>
<b>Surplus - end of year . . . . . \$</b>	<b><u>608,723</u></b>	<b><u>762,317</u></b>

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA FILM DEVELOPMENT CORPORATION****Notes to Financial Statements****for the year ended March 31, 1997****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 Tax Credit Program, including registration of productions and review tax credit applications.

**2. Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the undernoted items:

- (i) Program grants, loans and equity participation are charged to current expenditures as disbursed. Recoveries derived from equity investments are recorded as revenue when received. Recoveries of project development loans are offset against expenditures when received.
- (ii) Capital asset acquisitions are recorded as current expenditures. Any proceeds from disposal thereof are recorded as revenues.
- (iii) The costs incurred by government departments providing certain services to the Corporation are not reflected in these statements.
- (iv) A statement of changes in financial position is not provided since disclosure in the statement of operations and surplus and the balance sheet is considered adequate.
- (v) The act of incorporation required the establishment of a special account known as the Nova Scotia Film Development Corporation Fund. Any investments or guarantees were to be charged to the fund and corporate administrative expenses were to be paid from the Consolidated Fund of the Province. No fund has been established and all charges and expenses of the Corporation have been paid out of an appropriation from the Consolidated Fund of the Province.

### 3. Surplus and Contingent 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 will not result in program disbursements until subsequent fiscal periods.

As at March 31, 1997, the Corporation is contractually committed to advance funds totalling \$654,413 (1996 - \$740,400) as investments and loans in respect of current and future projects.

### 4. Economic Dependence/Services Provided

The Corporation is economically dependent on the Department of Economic Development and Tourism for annual funding. During the year, services were provided to the Corporation by government departments, including the following:

Legal services .....	\$	56,250
Rent .....		<u>30,000</u>
	\$	<u><u>86,250</u></u>

The cost of these services is not reflected in these financial statements.

### 5. 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 generated by projects. Revenue is recorded as received. During the year the Corporation received \$58,581 (1996 - \$81,163). The total equity investment of the Corporation to March 31, 1997 is \$6,104,043, with recoupment to March 31, 1997 of \$223,951, for a net of \$5,880,092. Additionally, the Corporation administers \$1,689,994 of investments, made prior to August, 1990 by the Province, to which it is eligible for participation in revenues.

During 1996-97, on behalf of the Department of Economic Development and Tourism, the Corporation disbursed assistance for a project and was reimbursed by the Department. The disbursement and reimbursement have been offset in the books of account of the Corporation through the equity investment account.

### 6. 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. All project development loans are charged to current expenditures when disbursed. 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, 1997 were \$537,564.

**7. 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 employer's contributions are included in the Corporation's administrative expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

## Schedule 1

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA FILM DEVELOPMENT CORPORATION

## Administrative Expenses

for the year ended March 31, 1997

	1997	1996
Salaries and Benefits . . . . . \$	213,181 \$	218,928
Contract Buy-Out . . . . .	118,498	---
Staff Training . . . . .	1,545	1,959
Audit Services . . . . .	3,785	6,563
Advertising . . . . .	25,441	31,924
Bank Charges . . . . .	1,240	785
Bad Debts . . . . .	---	1,151
Consultants . . . . .	10,102	830
Courier Services . . . . .	3,803	3,717
Dues, Fees and Subscriptions . . . . .	897	1,631
Entertainment . . . . .	5,788	3,326
Insurance . . . . .	1,431	1,107
Legal Fees . . . . .	1,187	---
Location Scout . . . . .	3,313	8,892
Miscellaneous . . . . .	(5,632)	---
Repairs & Maintenance . . . . .	1,605	1,354
Production Guide . . . . .	36,005	34,592
Board Honorarium and Expenses . . . . .	59,577	17,663
Capital Equipment . . . . .	4,355	30,118
Photocopier/Fax Rent . . . . .	5,782	6,542
Office Supplies . . . . .	6,298	5,895
Postage . . . . .	7,242	6,178
Printing . . . . .	---	7,241
Photos . . . . .	3,895	3,777
Library . . . . .	802	3,416
Conferences/Marketing . . . . .	1,483	4,187
Telephone and Fax . . . . .	12,828	8,200
Business Travel Expenses . . . . .	38,941	57,578
Total . . . . . \$	<u>563,392</u> \$	<u>467,554</u>

**AUDITOR'S REPORT**

To the Minister of Finance; and  
To the Chairman and Members of the Board of the Nova Scotia Gaming Corporation

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 1997 and the statements of revenue, expenses and income allocation and retained earnings 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 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.

The Nova Scotia Gaming Corporation has prepared the financial statements as they relate to casino gaming based upon their interpretation of the Operating Contract between the Corporation and Metropolitan Entertainment Group. This interpretation results in the adoption of an expense allocation approach which recognizes the payment of the shortfalls that arose in the previous year referred to in Note 3(h) to the Corporation's financial statements as an expense for the current year. In my opinion, the amounts that represent these shortfalls are expenses which should be recognized in the year incurred. If these shortfalls had been recognized as expenses in the previous year, net income of the Corporation reported for that year would have been reduced by \$2,143,409 and net income of the Corporation being reported for the current year would have been increased by \$2,143,409.

In my opinion, except for the matter referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
May 30, 1997.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GAMING CORPORATION

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996
<b>Current</b>		
Due from Atlantic Lottery Corporation Inc. . . . . \$	8,607,772	\$ 9,104,004
Due from Metropolitan Entertainment Group (Note 2d) . . . . .	5,612,436	271,817
Prepays . . . . .	1,361	1,361
	<u>14,221,569</u>	<u>9,377,182</u>
<b>Long-term</b>		
Investment in Atlantic Lottery Corporation Inc. (Note 4). . . . .	100	100
Investment in Interprovincial Lottery Corporation (Note 5). . . . .	1	1
Due from Atlantic Lottery Corporation Inc. (Note 6) . . . . .	808,468	800,816
Fixed Assets (Note 7) . . . . .	44,460	37,118
	<u>853,029</u>	<u>838,035</u>
	<u>\$ 15,074,598</u>	<u>\$ 10,215,217</u>

## LIABILITIES

<b>Current</b>		
Accounts Payable . . . . . \$	269,234	\$ 305,512
Deferred Revenue . . . . .	---	8,333,334
Due to VLT Problem Gaming Fund . . . . .	53,572	58,469
Due to the Province of Nova Scotia (Note 8) . . . . .	13,943,324	717,086
	<u>14,266,130</u>	<u>9,414,401</u>

## EQUITY

Fixed assets of Atlantic Lottery Corporation Inc. (Note 6) . . . . .	808,468	800,816
	<u>\$ 15,074,598</u>	<u>\$ 10,215,217</u>

Contingencies and Commitments (Notes 3, 9 and 10)

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GAMING CORPORATION

## Statement of Revenue, Expenses and Income Allocation

for the year ended March 31, 1997

	1997	1996
<b>Revenue</b>		
Atlantic Lottery Corporation Inc.		
Regular Lottery Profit Distribution (Schedule I) . . . . . \$	41,079,158	\$ 41,193,483
VLT Profit Distribution (Schedule II) . . . . .	68,841,736	63,425,039
Sheraton Halifax Interim Casino (Schedule III)		
Revenue after Casino Win Tax . . . . .	38,336,192	29,055,447
Sheraton Sydney Casino (Schedule IV)		
Revenue after Casino Win Tax . . . . .	21,661,347	11,660,863
	<u>169,918,433</u>	<u>145,334,832</u>
<b>Expenses and Income Allocation</b>		
Atlantic Lottery Corporation Inc.		
Special Payments (Note 4(d)) . . . . .	200,000	200,000
Bonus Commissions (Note 4(d)) . . . . .	48,009	55,523
VLT Problem Gaming Contribution (Note 2(f)) . . . . .	318,014	297,548
Sheraton Halifax Interim Casino (Schedule III)		
Operating Expenses . . . . .	24,101,453	19,431,535
Allocation of Income - Operator (Note 3(e) and 3(h)) . . . . .	12,061,055	9,117,721
Sheraton Sydney Casino (Schedule IV)		
Operating Expenses . . . . .	13,078,011	8,859,256
Allocation of Income - Operator (Note 3(e) and 3(h)) . . . . .	8,414,896	2,801,607
Corporation (Schedule V) . . . . .	867,041	634,836
	<u>59,088,479</u>	<u>41,398,026</u>
<b>Net Operating Income</b> . . . . .	110,829,954	103,936,806
Income Guarantee (Notes 2(d) and 12) . . . . .	8,351,805	6,405,426
<b>Net Income</b> . . . . .	<u>\$ 119,181,759</u>	<u>\$ 110,342,232</u>



**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA GAMING CORPORATION**

**Statement of Retained Earnings**

**for the year ended March 31, 1997**

	1997	1996
<b>Balance, beginning of year</b> .....	<b>\$ ---</b>	<b>\$ ---</b>
Net income (Note 12) .....	119,181,759	110,342,232
Payments to Province of Nova Scotia .....	119,181,759	110,342,232
<b>Balance, end of year</b> .....	<b>\$ ---</b>	<b>\$ ---</b>

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA GAMING CORPORATION****Notes to the Financial Statements****for the year ended March 31, 1997****1. Description of Business**

The Nova Scotia Gaming 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 and together with other provinces that have an agreement with Nova Scotia respecting any such lottery schemes.

**2. Accounting Policies****(a) Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principals. A statement of changes in financial position is not provided as disclosure in the balance sheet, and the statement of revenue, expenses and income allocation is considered adequate.

**(b) Casino Revenue**

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) Video Lottery Revenue**

In accordance with industry practice, video lottery revenues are reported as the net receipts from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

**(d) Income Guarantee**

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Nova Scotia Gaming Corporation and Sheraton International Inc. (Guarantor) (Note 3), an income guarantee was provided to ensure Total Provincial Revenue in each of the first four years of operation would not be less than \$25 million. Total Provincial Revenue includes the aggregate of casino win tax paid to the Province of Nova Scotia, annual registration fees of \$100,000 paid to the Nova Scotia Gaming Control Commission and the share of profit allocated to the Nova Scotia Gaming Corporation as described in the Operating Contract.

On June 1, 1995, Sheraton Casinos Nova Scotia paid the Nova Scotia Gaming Corporation \$25 million, which represented a prepayment of the first year of the income guarantee. Commencement date of the guarantee period was June 1, 1995 with an expiry date of July 31, 1999. If Total Provincial Revenue falls below the \$25 million requirement in any of year two through year four of the guarantee period, the Operator is obligated to pay the deficiency with 90 days after the end of each guarantee year.

Pursuant to the Operating Contract, the Nova Scotia Gaming Corporation and the Operator have agreed that if Total Provincial Revenue exceeds \$25 million in any of year two through to year five then any previously paid deficiencies can be offset against Total Provincial Revenue earned in excess of \$25 million. In any year in which Total Provincial Revenue exceeds \$25 million up to and including year five, the Corporation will record the repayment to the Operator of any previously paid deficiency as an expense of the Corporation.

The second year of the income guarantee commenced August 1, 1996. As of this date, the casino win tax is payable to the Province of Nova Scotia on a daily basis and the Corporation's share of profit is payable on a monthly basis. On a cumulative monthly basis the amount of the income guarantee is accrued if Total Provincial Revenue (casino win tax, annual registration fees and profit allocation) is less than the pro rata portion of the income guarantee earned during that month. A receivable from Metropolitan Entertainment Group in the amount of \$5,135,766 has been accrued to reflect the difference between Total Provincial Revenue earned during the guarantee period between August 1, 1996 and March 31, 1997 and the amount owing as at March 31, 1997 by virtue of the expiration of eight months of this second income guarantee period. Total Revenue earned by the Nova Scotia Gaming Corporation during the year ended March 31, 1997 in relation to the income guarantee was \$8,351,805 (1996 - \$6,405,426).

**(e) Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates.

Computer equipment . . . . .	30%
Office equipment . . . . .	20%

**(f) VLT Problem Gaming Contribution**

The VLT (Video Lottery Terminal) Problem Gaming Fund was created in April 1995 by agreement between the Lounge and Beverage Room Association of Nova Scotia and the Nova Scotia Gaming Corporation. The Lounge and Beverage Room Association of Nova Scotia agreed that its members would contribute 1% of their gross commission receivable from the Atlantic Lottery Corporation Inc. in respect of VLT revenues provided the number of VLTs and the commission rate would not be reduced for three years. The Nova Scotia Gaming Corporation agreed to contribute from its revenues receivable from Atlantic Lottery Corporation Inc. an amount equal to all contributions made by the members of the Association. Establishment of the VLT Problem Gaming Fund and its terms of reference are subject to approval by the Governor-in-Council, which is still pending.

(g) **Investments**

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

**3. The Operating Contract**

(a) **Term**

On May 31, 1995 the Nova Scotia Gaming Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Sheraton Casinos Nova Scotia/Operator), a partnership between ITT Sheraton Canada Ltd. and Purdy's Wharf Development Limited, to operate casinos in Halifax, and Sydney for a period expiring on December 31, 2015. The Operating Contract provides Metropolitan Entertainment Group with the exclusive right to operate casino gaming in Nova Scotia as an agent on behalf of the Corporation.

The Operator was required, pursuant to the Halifax Interim Casino Construction Contract and the Sydney Casino Construction Contract, to develop, finance and construct a temporary casino facility in Halifax and a permanent casino complex in Sydney which open June 1, 1995 and August 1, 1995 respectively. All operating and capital assets and related liabilities in respect of each casino complex are, in accordance with the terms of the Operating Contract, the property of Metropolitan Entertainment Group and are therefore not recorded on the Corporation's financial statements. In addition, the Operator is required to develop, finance and construct a permanent casino complex pursuant to the terms of the Halifax Casino Construction Contract with a scheduled completion date of September 30, 1998 (see Note 13).

(b) **Purchase Option**

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and Sydney casino complexes 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. This early purchase option requires the Corporation to pay out the balance of the Operator's capital investment, the outstanding principal balance of development financing and the net present value of the projected income allocation due to the Operator for the balance of the term of the Contract. The Operator's initial capital investment (development costs) totalled \$24.1 million in Halifax and \$23.2 million in Sydney and will be recovered through an allocation of income as described in Note 3(e). The Corporation is required to approve these development costs (Note 3 (j)).

(c) **Termination of Operating Contract**

The Nova Scotia Gaming Corporation and the Operator have the right to terminate the Operating Contract prior to its expiration if either party is in breach of certain terms. The Corporation may terminate the Operating Contract if an event of default has occurred and the Operator has not cured the default within

a prescribed time period. The provisions of the income guarantee would remain in full force and effect until such time as the full sum of \$100 million with respect to Total Provincial Revenue has been paid by the Operator.

The Operator may terminate the Operating Contract if an Operator termination event as described in Section 6.6.1 of the Operating Contract occurs and is not remedied by the Corporation within a prescribed period of time. The Corporation would be required to pay the balance of the Operator's capital investment, the outstanding principal balance of Development Financing and the net present value of the projected income allocation due to the Operator for the balance of the term of the Contract.

(d) **Win Tax**

The Province of Nova Scotia is entitled to a casino win tax which is equal to 20% of casino revenue (Note 2(b)).

(e) **Allocation of Income - Operator**

The Operator is entitled to an allocation of income from each casino calculated with reference to the following items, which are listed according to their priority in Section 4.7 of the Operating Contract.

- An amount based upon the Operator's capital investment (development costs) in Halifax and Sydney with respect to each Casino Complex, which amount is amortized straight-line over a three year term in Halifax and a ten year term in Sydney, with interest calculated at 12% on the total outstanding capital investment.
- An amount equal to 1.5% of casino revenue before casino win tax to fund a capital replacement reserve. Disbursements from this reserve are required to be approved in advance by the Nova Scotia Gaming Corporation through the annual capital budget approval process.
- An amount equal to 3% of casino revenue in Sydney as a Base Fee and 10% of casino revenue, less win tax, Base Fee and non-property expenses as an Incentive Fee.
- An amount equal to the Operator's shortfall in any one year that income is insufficient to make allocations, as described above. The Operator will track the amount of the shortfall and will be entitled to increase future income allocations by an amount equal to the accumulated shortfall plus interest at prime plus 1% during the period in which the shortfall is outstanding.
- An amount equivalent to 35% of cash available for distribution, as defined in the Operating Contract from the Halifax casino.

(f) **Allocation of Income - Corporation**

The Nova Scotia Gaming Corporation is entitled to an allocation of income equivalent to 65% of cash available for distribution in the Halifax Casino as defined in the Operating Contract.

The Nova Scotia Gaming Corporation is entitled to an allocation of income equivalent to 100% of the cash available for distribution in the Sydney Casino as defined in the Operating Contract. The Province of Nova Scotia has agreed to distribute 50% of this profit to First Nations Bands who have signed gaming agreements with the Nova Scotia Gaming Corporation. The Province of Nova Scotia has agreed to pay the remaining 50% of its share of profit to a special purpose fund from which payments to qualified Nova Scotian charities will be made.

**(g) Operating Period**

Income to be earned by the Corporation and the Operator is calculated based upon the operating period which is defined in the Operating Contract as the calendar year. The Nova Scotia Gaming Corporation's annual financial statements are prepared based upon a March 31st year-end. Any income earned by the Operator or the Corporation during the operating period ended December 31st cannot be subsequently adjusted in the event the Operator has a shortfall in subsequent years.

**(h) Allocation of Income in Subsequent Years**

During the previous year, the income was insufficient to allocate to the Operator the maximum allocation to which the Operator was entitled with reference to their capital investment (Note 3e). The Operator's accumulated shortfall as at March 31, 1996 which has been eliminated, totalled \$459,799 in Halifax and \$1,683,610 in Sydney. These amounts were allocated to the Operator from income during the year ended March 31, 1997 and accordingly were recorded as expenses of the Corporation in the current year.

**(i) Public Education and Problem Gaming Contribution**

Metropolitan Entertainment Group and the Nova Scotia Gaming Corporation have agreed to an annual contribution of \$1,000,000 to be paid to the Department of Health to provide funds for problem gaming programs and related public education. Contributions have been allocated as an expense between the Sheraton Halifax and Sydney Casinos pro rata based upon gaming revenues.

**(j) Approvals**

The Nova Scotia Gaming Corporation is required to approve, annually, the Operator's business plan, including the annual operating budget and the annual capital budget. The Corporation is also required to approve development costs with respect to the Halifax Interim Casino, Halifax Permanent Casino and the Sydney Permanent Casino.

Schedule III and Schedule IV have been prepared based on the audited financial statements of Sheraton Casinos Nova Scotia - Halifax Interim Casino and Sheraton Casinos Nova Scotia - Sydney Casino for the year ended December 31, 1996 and unaudited Halifax and Sydney Casino schedules for the three month period ended March 31, 1997.

The audited financial statements of the Halifax Interim Casino and the Sydney Casino and the unaudited schedules for the three month period ended March 31, 1997 were prepared on the assumption that the 1995, 1996 and 1997 operating budgets, the 1997 capital budget and the development costs of the Halifax Interim Casino and Sydney Permanent Casino were approved.

These approvals are outstanding pending resolution of certain issues (see Note 13). Certain adjustments which may be material to the financial statements of the Nova Scotia Gaming Corporation could be required upon completion of this approval process.

Approvals for the Halifax Permanent Casino Design Documents and Construction Budget are outstanding pending resolution of certain issues (see Note 13).

#### **4. Atlantic Lottery Corporation Inc.**

- (a) The Atlantic Lottery Corporation Inc. was incorporated in September 1976 under the Canada Business Corporations Act to conduct and manage lotteries in Atlantic Canada. The Nova Scotia Gaming Corporation holds one of four shares of this Corporation. The Provinces of Newfoundland, New Brunswick and Prince Edward Island or agencies thereof each hold one of the other shares.

Atlantic Lottery Corporation Inc. distributes its profit to the Nova Scotia Gaming Corporation and the other three shareholders based upon certain agreed-upon criteria.

Schedule I and Schedule II have been prepared based upon the Nova Scotia Gaming Corporation's profit distribution as recorded in the audited financial statements to the Atlantic Lottery Corporation Inc. for the year ended March 31, 1997.

#### **(b) Regular Lottery Profit Distribution**

All four provinces share in the net profit from regular lottery sales based upon each province's percentage of net sales of lottery products.

A special 3% bonus is paid to lottery retailers in Nova Scotia on the first \$400,000 of gross annual sales excluding Video Lottery, Celebration and Breakopen games.

The Nova Scotia Gaming Corporation assists certain charities by offering them a commission of 18.3% as opposed to the usual 12.5% commission on all Breakopen lottery tickets sold. The Breakopen charity profit distribution is comprised of total sales of Breakopen lottery tickets net of prizes less commissions and other direct costs.

#### **(c) Video Lottery Profit Distribution**

Video Lottery Terminal (VLT) revenue earned in the Province of Nova Scotia included in Schedule II is recorded net of amounts paid as winnings.

Included in VLT Operating Expenses are salaries and benefits of technical and sales staff totalling \$804,673 (1996- \$698,493) and notional financing charges of \$242,690 (1996- \$435,891).

There are certain Atlantic Lottery Corporation Inc.'s corporate operating expenses attributable to the VLT program which have not been allocated.

**(d) Special Payments**

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	1997	1996
The Department of Education and Culture (on Behalf of the Cultural Federations of Nova Scotia) . . . . .	\$ 50,000	\$ 50,000
The Department of Agriculture and Marketing (on Behalf of the Exhibition Association of Nova Scotia) . . . . .	50,000	50,000
The Sport and Recreation Commission (on Behalf of Sport Nova Scotia) . . . . .	100,000	100,000
	\$ <u>200,000</u>	\$ <u>200,000</u>

Bonus Commissions totalling \$48,009 (1996 - \$55,523) were paid directly during the year ended March 31, 1997 by the Nova Scotia Gaming Corporation to various non-profit community organizations. The Corporation is obligated to pay these commissions, which are equal to 10% of the face amount of A-Plus tickets sold by eligible vendors, on a quarterly basis. Such amounts must be used by the recipient for the benefit of a volunteer community project.

**5. Interprovincial Lottery Corporation**

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The primary purpose of the Corporation is to administer nation-wide lottery games on behalf of the 10 Canadian Provinces (see Atlantic Lottery Corporation Inc., Note 4a). The Nova Scotia Gaming Corporation holds one of ten shares of this Corporation.

**6. Equity in Fixed Assets of Atlantic Lottery Corporation Inc.**

Certain of Atlantic Lottery Corporation Inc.'s fixed assets are financed by reducing shareholders' profits by an imputed principal and interest amount equal to the cost of the fixed assets. Principal is amortized over the life of the fixed asset. A long-term receivable is recorded to recognize the outstanding cash balance due to the Nova Scotia Gaming Corporation and a corresponding equity interest in the fixed assets of Atlantic Lottery Corporation Inc. is reported.



**7. Fixed Assets**

	Cost	Accumulated Depreciation	1997 Net Book Value	1996 Net Book Value
Office Furniture and Equipment . . . . .	\$ 23,761	\$ 6,364	\$ 17,397	19,941
Computers . . . . .	37,836	10,773	27,063	17,177
	<u>\$ 61,597</u>	<u>\$ 17,137</u>	<u>\$ 44,460</u>	<u>\$ 37,118</u>

**8. Due to the Province of Nova Scotia**

All funds received by the Corporation are immediately transferred to the Province of Nova Scotia's bank account. Funds include casino win tax earned by the Province of Nova Scotia, profit distributions earned by the Nova Scotia Gaming Corporation from the Atlantic Lottery Corporation Inc. and the Halifax and Sydney Casinos, and amounts earned by the Corporation under the income guarantee (Note 2d).

At year end the balance in the account is as follows:

	1997	1996
		(Note 12)
<b>Due to the Province of Nova Scotia</b>		
<b>Balance, beginning of year . . . . .</b>	\$ 717,086	---
Net income of the Corporation . . . . .	119,181,759	110,342,232
Casino win tax earned by the Province of Nova Scotia		
Sheraton Halifax Interim Casino . . . . .	9,262,572	6,985,584
Sheraton Sydney Casino . . . . .	4,943,499	2,669,465
Cheques issued on behalf of the Corporation . . . . .	3,493,658	2,032,971
Funds Transferred to the Province of Nova Scotia . . . . .	<u>(123,655,250)</u>	<u>(121,313,166)</u>
<b>Balance, end of year . . . . .</b>	<u>\$ 13,943,324</u>	<u>\$ 717,086</u>

**9. Goods and Services Tax**

The Corporation has accounted for Goods and Services Tax ("GST") in accordance with interim arrangements agreed upon between the Corporation and the Federal Government. These arrangements are anticipated to be confirmed in GST regulations which have not yet been issued. Adjustments, if any, will be accounted for during the year in which the amendments to the regulations are amended by the Federal Government. The Corporation will be subject to Harmonized Sales Tax ("HST") beginning April 1, 1997.

**10. Commitments**

The Corporation is required to make lease payments over the next five years as follows:

1998	\$	41,000
1999	\$	43,000
2000	\$	43,000
2001	\$	43,000
2002	\$	36,000

Pursuant to the terms of the Operating Contract, the Corporation has agreed that the Operator is entitled to certain allocations of income as described in Note 3(e).

**11. Related Party Transactions**

The Province of Nova Scotia and the Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transaction between these related parties are separately disclosed in the financial statements.

**12. Restatement of Prior Year**

The March 31, 1996 financial statements have been restated as a result of a change in interpretation of the provisions of the income guarantee (Note 2(d)) included within the Operating Contract. Previously, the amount owed by the Operator under the income guarantee was reported as an amount due directly to the Province of Nova Scotia. The financial statements of the Nova Scotia Gaming Corporation now reflect the amount owed under the income guarantee as revenue earned by the Corporation.

The effect of the above change on the financial statements of the current and prior period is that the net income of the Corporation has been increased by \$8,351,805 in 1997 and \$6,405,426 in 1996. The net amount due to the Province as at March 31 has not changed, as the above amounts related to the income guarantee which are included in the Corporation's net income, flow directly to the Province of Nova Scotia at year end (Note 8).

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

**13. Subsequent Event**

Subsequent to year end, the Corporation and Metropolitan Entertainment Group agreed to settle certain matters which are detailed in Note 3(j). Minutes of settlement are being finalized and the significant terms will include the following:

- a) The scheduled completion date of the Halifax Permanent Casino will be extended from September 30, 1998 to May 15, 1999. The existing penalty of \$10,000 per day will continue to apply to any delay in the completion of the Halifax Permanent Casino beyond May 15, 1999. In addition, the calculation of the amount payable to the Corporation under the \$25,000,000 income guarantee, which continues in effect until July 31, 1999, will be amended to include the amortization of the expected development costs (approximately \$97 million) on the Halifax Permanent Casino effective May 15, 1999, whether or not the casino is completed on the scheduled completion date.
- b) The annual rent for the Halifax Interim Casino premise will be reduced from \$1.2 million per annum to \$900,000, effective February 15, 1995.
- c) The development costs of the Halifax Interim Casino and the Sydney Casino will be approved.
- d) The 1995 and 1996 operating budgets for the Halifax Interim Casino and the Sydney Casino will be approved.
- e) The Corporation's objections related to the December 31, 1995 audited financial statements of Metropolitan Entertainment Group will be withdrawn.

The financial statements of the Corporation have not been adjusted for the impact of these items. Any required adjustments will be recorded in the period when the proposed settlement is finalized and approved by the Governor-in-Council.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GAMING CORPORATION

## Atlantic Lottery Corporation Inc.

## Schedule of Distributed Profit - Regular Lottery

for the year ended March 31, 1997

	Atlantic Lottery Lottery Corporation Inc.		Nova Scotia Gaming Corporation	
	1997	1996	1997	1996
Sales . . . . .	\$ 451,118,385	\$ 433,745,869	\$ 171,163,233	\$ 163,005,101
Less: Prize Expense . . . . .	241,103,085	230,821,610	88,979,249	84,108,469
Sales Discounts . . . . .	163,882	365,417	40,803	204,201
	<u>241,266,967</u>	<u>231,187,027</u>	<u>89,020,052</u>	<u>84,312,670</u>
Net Sales . . . . .	<u>209,851,418</u>	<u>202,558,842</u>	<u>82,143,181</u>	<u>78,692,431</u>
Direct Costs				
Sales Commission . . . . .	30,498,202	29,606,085		
Winning Ticket Cashing Fee . . . . .	1,993,939	1,879,619		
Ticket Costs . . . . .	<u>10,550,789</u>	<u>9,092,635</u>		
Total Direct Costs . . . . .	<u>43,042,930</u>	<u>40,578,339</u>		
Gross Profit . . . . .	166,808,488	161,980,503		
Corporate Operating Costs . . . . .	<u>52,299,448</u>	<u>46,922,645</u>		
Net Lottery Profit . . . . .	<u>114,509,040</u>	<u>115,057,858</u>		
Net Lottery Profit Entitlement . . . . .			<u>44,822,841</u>	<u>44,699,023</u>
Entitlement Percent . . . . .			<u>39.1%</u>	<u>38.9%</u>
Less: Sales Commission (Note 4(b)) . . . . .			<u>3,936,013</u>	<u>3,733,336</u>
Lottery Profit Distribution . . . . .			<u>40,886,828</u>	<u>40,965,687</u>
Breakopen Charity . . . . .			<u>192,330</u>	<u>227,796</u>
Regular Lottery Profit Distribution (Note 4(b)) . . . . .			<u>41,079,158</u>	<u>41,193,483</u>

## Schedule II

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GAMING CORPORATION

## Atlantic Lottery Corporation Inc.

## Schedule of Distributed Profit - Video Lottery

for the year ended March 31, 1997

	1997	1996
Net VLT Receipts . . . . .	\$ 106,006,636	\$ 99,182,741
Administration Revenue . . . . .	<u>594,742</u>	<u>138,541</u>
Total Net Revenue . . . . .	<u>106,601,378</u>	<u>99,321,282</u>
VLT Retailer Commission . . . . .	29,713,812	27,802,890
VLT Ticket Costs . . . . .	161,126	145,433
VLT Operating Expenses . . . . .	<u>7,884,704</u>	<u>7,947,920</u>
Total VLT Expenses . . . . .	<u>37,759,642</u>	<u>35,896,243</u>
Net VLT Profit Distribution (Note 4(c)) . . . . .	<u>\$ 68,841,736</u>	<u>\$ 63,425,039</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GAMING CORPORATION

## Sheraton Halifax Interim Casino

## Schedule of Operating Results

for the year ended March 31, 1997

	1997	1996 (10 months)
Casino revenue before taxes . . . . .	\$ 46,313,119	\$ 34,927,918
Casino win tax . . . . .	<u>(9,262,572)</u>	<u>(6,985,584)</u>
Casino revenue after taxes . . . . .	37,050,547	27,942,334
Beverage and other revenue . . . . .	<u>1,285,645</u>	<u>1,113,113</u>
Total net revenues . . . . .	<u>38,336,192</u>	<u>29,055,447</u>
 <b>Operating Expenses</b>		
Salaries and benefits . . . . .	11,847,251	11,286,818
Other expenses including cost of beverages . . . . .	973,076	825,347
Public education and problem gaming contribution (Note 3(i)) . . .	654,515	620,666
General administration and marketing . . . . .	5,774,235	3,099,994
Premise expense . . . . .	1,915,054	1,657,723
Goods and Services Tax . . . . .	<u>2,937,322</u>	<u>1,940,987</u>
	<u>24,101,453</u>	<u>19,431,535</u>
Income to be allocated . . . . .	<u>14,234,739</u>	<u>9,623,912</u>
 <b>Allocation of Income</b>		
Operator (Note 3(e) and (h))		
Amortization of capital investment . . . . .	\$ 10,176,619	\$ 8,304,551
Capital replacement reserve . . . . .	713,991	540,606
Share of profit to Operator . . . . .	<u>1,170,445</u>	<u>272,564</u>
	<u>12,061,055</u>	<u>9,117,721</u>
Share of profit to Corporation (Notes 3(f) and 3(h)) . . . . .	<u>2,173,684</u>	<u>506,191</u>
	<u>14,234,739</u>	<u>9,623,912</u>

## Schedule IV

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GAMING CORPORATION

## Sheraton Sydney Casino

## Schedule of Operating Results

for the year ended March 31, 1997

	1997	1996 (8 months)
Casino revenue before taxes . . . . .	\$ 24,717,496	\$ 13,347,321
Casino win tax . . . . .	<u>(4,943,499)</u>	<u>(2,669,465)</u>
Casino revenue after taxes . . . . .	19,773,997	10,677,856
Beverage, food and other revenue . . . . .	<u>1,887,350</u>	<u>983,007</u>
Total net revenues . . . . .	<u>21,661,347</u>	<u>11,660,863</u>
<b>Operating Expenses</b>		
Salaries and benefits . . . . .	7,422,207	5,662,633
Other expenses including cost of food and beverages . . . . .	1,272,736	752,918
Public education and problem gaming contribution (Note 3(i)) . . .	345,485	212,667
General administration and marketing . . . . .	2,165,981	984,666
Premise expense . . . . .	474,580	671,007
Goods and Services Tax . . . . .	<u>1,397,022</u>	<u>575,365</u>
	<u>13,078,011</u>	<u>8,859,256</u>
Income to be allocated . . . . .	<u>8,583,336</u>	<u>2,801,607</u>
<b>Allocation of Income</b>		
Operator (Note 3(e) and 3(h))		
Amortization of capital investment . . . . .	6,391,545	1,852,473
Capital replacement reserve . . . . .	399,073	214,954
Base fee . . . . .	798,145	429,910
Incentive fee . . . . .	<u>826,133</u>	<u>304,270</u>
	<u>8,414,896</u>	<u>2,801,607</u>
Share of profit to Corporation (Notes 3(f) and 3(h)) . . . . .	<u>168,440</u>	<u>---</u>
	<u>\$ 8,583,336</u>	<u>\$ 2,801,607</u>

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA GAMING CORPORATION**

**Schedule of Expenses**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
Advertising . . . . .	2,004	3,265
Depreciation . . . . .	11,956	5,181
Meetings . . . . .	3,000	2,792
Membership dues . . . . .	1,863	3,341
Occupancy taxes . . . . .	1,695	1,081
Office and Miscellaneous . . . . .	6,570	7,114
Office Equipment . . . . .	13,471	12,238
Periodicals . . . . .	10,274	4,082
Postage and freight . . . . .	4,129	3,382
Printing and stationery . . . . .	6,311	17,586
Professional and other fees . . . . .	293,625	248,692
Rent . . . . .	24,312	14,862
Salaries and benefits . . . . .	430,543	254,908
Telecommunications . . . . .	10,042	6,428
Training . . . . .	5,747	3,586
Travel . . . . .	41,499	46,298
	<u>\$ 867,041</u>	<u>\$ 634,836</u>



**AUDITOR'S REPORT**

To the Minister of Agriculture and Marketing; and  
To the Vice-Chairman and Members of the  
Nova Scotia Grain and Forage Commission

I have examined the balance sheet of the Nova Scotia Grain and Forage Commission as at August 6, 1997 and the statement of income and retained earnings for the period 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 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 August 6, 1997 and the results of its operations for the period then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
October 22, 1997

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GRAIN AND FORAGE COMMISSION

## BALANCE SHEET

as at August 6, 1997

## ASSETS

	August 6, 1997 (Note 1)	July 31, 1996
<b>Current</b>		
Cash (Note 2) . . . . .	\$ 619,242	\$ 1,087,330
Accounts receivable . . . . .	529,583	120,370
Due from Nova Scotia Grain Marketing Board . . . . .	29,217	29,217
Accrued interest . . . . .	515	3,621
Prepaid expenses (Note 3). . . . .	38,250	183,082
	<u>\$ 1,216,807</u>	<u>\$ 1,423,620</u>

## LIABILITIES AND EQUITY

<b>Current</b>		
Accounts payable . . . . .	\$ 11,370	\$ 11,370
Due to Nova Scotia Grain Marketing Board (Note 4) . . . . .	37,500	75,000
Advance from Department of Agriculture and Marketing (Note 6) . . . . .	26,775	133,150
	<u>75,645</u>	<u>219,520</u>
<b>Retained Earnings</b> . . . . .	1,141,162	1,204,100
	<u>\$ 1,216,807</u>	<u>\$ 1,423,620</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA GRAIN AND FORAGE COMMISSION

## Statement of Income and Retained Earnings

for the period ended August 6, 1997

	August 1, 1996 to August 6, 1997 (Note 1)	August 1, 1995 to July 31, 1996
<b>Revenues</b>		
Interest on investments . . . . .	\$ 13,279	\$ 39,853
Interest on overdue accounts . . . . .	20,658	693
Other . . . . .	---	2,927
Recovery of bad debts . . . . .	---	2,212
	<u>33,937</u>	<u>45,685</u>
<b>Expenses</b>		
Nova Scotia Grain Marketing Board		
- operating grant . . . . .	193,875	224,418
- capital grant . . . . .	75,960	48,373
Office expenses . . . . .	1,426	2,844
Other . . . . .	2,397	6,086
Provision for bad debts . . . . .	20,875	---
Salaries, wages and benefits . . . . .	47,616	57,027
	<u>342,149</u>	<u>338,748</u>
<b>Loss Before Government Contributions . . . . .</b>	(308,212)	(293,063)
Contributions by the Province of Nova Scotia (Note 7) . . . . .	245,274	287,285
<b>Net Loss . . . . .</b>	(62,938)	(5,778)
<b>Retained Earnings, beginning of period . . . . .</b>	1,204,100	1,209,878
<b>Retained Earnings, end of period . . . . .</b>	<u>\$ 1,141,162</u>	<u>\$ 1,204,100</u>

**PROVINCE OF NOVA SCOTIA**

**NOVA SCOTIA GRAIN AND FORAGE COMMISSION**

**Notes to Financial Statements**

**August 6, 1997**

**1. Authority**

The Commission was established in 1977 by the Provincial Grain Commission Act. An amendment to the Act in 1992 changed the name of the Commission to the Nova Scotia Grain and Forage Commission. The purpose of the Commission is to provide grain and forage drying, storage and handling facilities for the farmers of Nova Scotia. During the year four facilities were in operation; one in Steam Mill, Kings County, one in Bayhead, Colchester County, and two in Middleton, Annapolis County.

As a result of an Order-in-Council and an agreement effective August 6, 1997 (Note 5), the assets of the Commission were transferred to a new corporation, East Coast Commodities Incorporated. The reporting period of the Commission was changed from the year ended July 31, 1997 to the extended period ended August 6, 1997 to coincide with the effective date of the agreement.

Effective August 7, 1997 the Commission continues to operate only in a nominal fashion.

**2. Cash**

Cash includes the general cash of the Commission, as well as funds to be used for advance payments to producers to cover the costs of producing grains.

The Commission is authorized to make advance payments to producers through the Nova Scotia Grain Marketing Board. The advances are recovered when the Nova Scotia Grain Marketing Board sells the grains.

	<b>August 6, 1997</b>	<b>July 31, 1996</b>
General operating accounts . . . . .	\$ 190,048	\$ 634,896
Advance payment account . . . . .	429,194	452,434
	<u>\$ 619,242</u>	<u>\$ 1,087,330</u>

**3. Prepaid Expenses**

	<b>August 6, 1997</b>	<b>July 31, 1996</b>
Capital grant . . . . .	\$ 11,475	\$ 49,932
Operating grant . . . . .	26,775	133,150
	<u>\$ 38,250</u>	<u>\$ 183,082</u>

The \$11,475 prepaid capital grant represents the portion of the \$37,500 capital grant payable to the Nova Scotia Grain Marketing Board that relates to the Commission's 1997-98 year (Note 4).

The \$26,775 prepaid operating grant represents the portion of the \$87,500 operating grant paid to the Nova Scotia Grain Marketing Board that relates to the Commission's 1997-98 year (Note 4).

#### **4. Joint Initiative**

On April 19, 1995 the Minister of Agriculture and Marketing, the Nova Scotia Grain and Forage Commission and the Nova Scotia Grain Marketing Board signed an agreement to enter into a joint initiative regarding the future operations of the Commission's facilities. The agreement created Grain and Forage Nova Scotia (GFNS), an entity jointly governed by the Commission, Marketing Board and representatives of the Nova Scotia Forage Council. The mandate of GFNS is to facilitate the transition to a private sector provision of storage and drying services to the grain and forage sectors. The agreement, and accordingly GFNS was to expire on March 31, 1998, unless an agreement was executed by the three parties to extend the arrangements (Note 5).

The agreement provided for the transfer of the management, operation and maintenance of the Commission's facilities to the Marketing Board, including all revenues and costs associated with such. The Commission retained ownership of all facilities, equipment and land, as well as other assets such as cash and receivables. Inventory of the Commission was sold to the Marketing Board.

For the year ended March 31, 1998, the agreement provided for funding of \$175,000 from the Minister of Agriculture and Marketing to the Commission, to be forwarded to the Marketing Board. Funding is also provided for the salary of one employee seconded to the Marketing Board for the duration of the agreement. The Commission, from its own funds, pays for the Marketing Board's maintenance, repair and capital improvement of Commission owned facilities, to a maximum of \$75,000. The Commission was also empowered to make interest-free loans to the Marketing Board for the purpose of providing cash advances to producers.

A payment of \$87,500 for operations funding and approval of \$37,500 for maintenance, repair and capital improvement funding had been made for the six month period ending September 30, 1997.

The Agreement was revoked on August 5, 1997 and replaced by a Trust agreement the following day (Note 5).

#### **5. Nova Scotia Grain and Forage Producers' Trust**

By Order-in-Council 97-554 dated August 5, 1997, the April 19, 1995 agreement (Note 4) was revoked and approval was given to a new agreement. The new agreement between the Minister of Agriculture and Marketing, the Nova Scotia Grain and Forage Commission, the Nova Scotia Grain Marketing Board, the Nova Scotia Forage Council, and Grain and Forage Nova Scotia created the Nova Scotia Grain and Forage Producers' Trust. The purpose of the Trust is to facilitate the transfer of certain assets of the parties to the agreement to East Coast Commodities Incorporated, an entity wholly owned by the Trust. The corporation will use the assets to carry on the business activities conducted by Grain and Forage Nova Scotia before the Trust was created. The effective date of the Trust is August 6, 1997, with a termination date of August 5, 2018.

Under the Trust agreement, the Commission agreed to transfer all rights, titles and interests in specified capital property of the Commission used in support of the grain and forage producers. Under Order-in-Council 97-554, the Province agreed to waive any interest in Grain and Forage Commission funds. On August 11, 1997 cash in the amount of \$617,720 was transferred from the Commission's bank accounts to East Coast Commodities Incorporated.

**6. Advance from Department of Agriculture and Marketing**

The advance represents the portion of the \$87,500 operating grant (1996 - \$200,000) received from the Department that relates to the Commission's 1997-98 year (Note 4).

**7. Government Contributions**

The Department of Agriculture and Marketing paid various operations and administration expenses of the Nova Scotia Grain and Forage Commission totalling \$245,274 for the year ended August 6, 1997 (1996 - \$287,285).

**8. 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 expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

**9. Comparative Figures**

Certain prior year's comparative figures in the Statement of Income and Retained Earnings have been reclassified to conform with the presentation adopted for the current year.

**AUDITOR'S REPORT**

To the Chairman and Members of the Board of Management of the Nova Scotia Hospital

I have audited the balance sheet of the Nova Scotia Hospital as at March 31, 1997, and the statements of shareable revenues and expenses, ancillary operations, non-shareable surplus, and retained surplus for the year then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Hospital as at March 31, 1997 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 6, 1997

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOSPITAL

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996
<b>Current Assets</b>		
Cash .....	\$ 1,120,650	\$ 3,400
Accounts receivable .....	5,792,019	5,850,772
Inventory (Note 3) .....	3,090,598	2,992,864
Prepaid expenses .....	186,267	181,739
	<u>10,189,534</u>	<u>9,028,775</u>
<b>Due from IWK - Grace Health Centre (Note 4) .....</b>	344,032	179,271
<b>Estimated Year-end Adjustments Due from</b>		
<b>Department of Health (Note 5) .....</b>	180,641	40,649
	<u>10,714,207</u>	<u>9,248,695</u>
<b>Restricted Funds (Note 6) .....</b>	191,855	210,761
	<u>\$ 10,906,062</u>	<u>\$ 9,459,456</u>

## LIABILITIES AND EQUITY

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 3,625,385	\$ 2,014,929
Deferred revenue (Note 7) .....	1,116,550	1,123,461
	<u>4,741,935</u>	<u>3,138,390</u>
<b>Due to Department of Finance (Note 8) .....</b>	5,330,682	5,703,436
<b>Due to (from) Central Laundry Partners (Note 9) .....</b>	11,741	(8,549)
<b>Equity</b>		
Non-shareable (deficit) surplus .....	(12,853)	3,222
Retained surplus (Note 11) .....	642,702	412,196
	<u>10,714,207</u>	<u>9,248,695</u>
<b>Restricted Funds (Note 6) .....</b>	191,855	210,761
	<u>\$ 10,906,062</u>	<u>\$ 9,459,456</u>

Commitments (Note 12)



## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOSPITAL

## Statement of Shareable Revenues and Expenses

## Hospital Operations

for the year ended March 31, 1997

	1997		1996
	Actual	Budget	Actual
<b>Shareable Revenues</b>			
<b>Inpatient Services</b>			
Department of Health . . . . .	\$ 26,528,400	\$ 26,528,017	\$ 26,694,260
Non-insured services . . . . .	40,011	31,000	261,860
	<u>26,568,411</u>	<u>26,559,017</u>	<u>26,956,120</u>
<b>Other</b>			
M.S.I. - Doctors . . . . .	3,907,572	3,618,400	3,778,931
Dietary . . . . .	512,105	564,800	479,988
Rentals . . . . .	327,851	315,000	127,322
Services to other Institutions . . . . .	392,656	342,500	350,183
Capital equipment . . . . .	---	---	250,000
Sundry . . . . .	166,314	97,200	127,259
	<u>5,306,498</u>	<u>4,937,900</u>	<u>5,113,683</u>
	<u>31,874,909</u>	<u>31,496,917</u>	<u>32,069,803</u>
<b>Shareable Expenses</b>			
Executive Director . . . . .	398,303	402,800	924,206
Regional Consumer Services . . . . .	5,415,843	5,594,400	5,342,184
Provincial Consumer Services . . . . .	6,798,472	6,867,900	7,020,818
Forensic Services . . . . .	2,681,107	2,676,000	2,150,474
Professional Services . . . . .	4,606,328	4,371,000	4,408,761
Corporate and Support Services . . . . .	10,064,387	9,777,417	10,684,591
Educational and Planning . . . . .	1,070,589	1,012,600	943,711
Public Relations and Communications . . . . .	249,098	264,800	276,540
Provincial Clozapine Program . . . . .	559,592	530,000	442,218
	<u>31,843,719</u>	<u>31,496,917</u>	<u>32,193,503</u>
<b>Surplus (Deficit) (Note 5)</b> . . . . .	<u>\$ 31,190</u>	<u>\$ ---</u>	<u>\$ (123,700)</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOSPITAL

## Statement of Ancillary Operations

## Central Laundry

for the year ended March 31, 1997

	1997	1996
<b>Shareable Revenue</b>		
Sales of clean laundry . . . . .	\$ 1,740,135	\$ 1,685,293
Miscellaneous . . . . .	16,814	25,401
Expenditure guarantee recovery . . . . .	---	54,723
	<u>1,756,949</u>	<u>1,765,417</u>
<b>Shareable Expenses</b>		
Salaries . . . . .	719,695	776,949
Employee benefits . . . . .	99,935	117,493
Linen replacement . . . . .	32,000	24,244
Motor vehicle repairs and operations . . . . .	83,074	56,638
Water . . . . .	25,331	24,070
Electricity . . . . .	40,309	38,304
Steam . . . . .	90,486	85,988
Administrative assessment . . . . .	639,103	639,103
Rent . . . . .	9,996	9,996
Interest . . . . .	4,062	---
Other expenses . . . . .	1,217	1,181
	<u>1,745,208</u>	<u>1,773,966</u>
<b>Operating Surplus (Deficit)</b> . . . . .	11,741	(8,549)
<b>Recovery from Partners</b> . . . . .	---	8,549
<b>Surplus (Note 9)</b> . . . . .	<u>\$ 11,741</u>	<u>\$ ---</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOSPITAL

## Statement of Ancillary Operations

## Central Drug Distribution

for the year ended March 31, 1997

	1997		1996
	Actual	Budget	Actual
<b>Shareable Revenues</b>			
<b>Gross Profit on Drug Sales</b>			
Drug sales . . . . .	\$ 20,720,754	\$ 19,017,000	\$ 19,240,434
Cost of sales . . . . .	20,559,801	18,830,000	19,138,030
	<u>160,953</u>	<u>187,000</u>	<u>102,404</u>
<b>Other Revenue</b>			
Department of Health grant . . . . .	268,800	269,200	268,800
Other . . . . .	98,525	82,000	102,176
	<u>367,325</u>	<u>351,200</u>	<u>370,976</u>
	<u>528,278</u>	<u>538,200</u>	<u>473,380</u>
<b>Shareable Expenses</b>			
Salaries . . . . .	320,068	312,600	328,889
Employee benefits . . . . .	52,844	50,600	49,251
Freight . . . . .	69,174	75,000	75,754
Other expenses . . . . .	42,300	100,000	45,912
	<u>484,386</u>	<u>538,200</u>	<u>499,806</u>
<b>Surplus (Deficit) (Note 5)</b> . . . . .	<u>\$ 43,892</u>	<u>---</u>	<u>\$ (26,426)</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOSPITAL

## Statement of Non-Shareable Surplus

for the year ended March 31, 1997

	1997	1996
<b>Balance, beginning of year</b> .....	\$ 3,222	\$ 46,094
<i>Add:</i> Non-shareable revenues (Note 10) .....	5,166	5,728
Prior years' final settlement adjustment (Note 5) .....	8,455	---
Donation from Foundation .....	32,068	13,949
	<u>48,911</u>	<u>65,771</u>
<i>Less:</i> Non-shareable expenses .....	30,077	13,949
Outreach program development .....	31,687	48,600
	<u>61,764</u>	<u>62,549</u>
<b>Balance, end of year</b> .....	<u>\$ (12,853)</u>	<u>\$ 3,222</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA HOSPITAL

## Statement of Retained Surplus

for the year ended March 31, 1997

	1997	1996
<b>Balance, beginning of year</b> .....	\$ 412,196	\$ 432,696
<i>Add:</i> Prior years' final settlement adjustment (Note 5) .....	230,506	---
	<u>642,702</u>	<u>432,696</u>
<i>Less:</i> Catalyst Enterprises .....	---	20,500
<b>Balance, end of year</b> .....	<u>\$ 642,702</u>	<u>\$ 412,196</u>

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA HOSPITAL****Notes to Financial Statements****March 31, 1997****1. Authority**

An Act to incorporate the Nova Scotia Hospital was proclaimed in 1967 to provide for the continuance of the Hospital.

The Nova Scotia Hospital is dedicated to the provision of exemplary psychiatric health care through the integration of service, education and research programs in the mental health field.

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following:

**Fixed Assets**

These financial statements do not include the costs associated with construction and renovation projects of the Nova Scotia Hospital carried out by the Department of Transportation and Public Works.

These financial statements do not include the costs of the land and buildings of the Hospital. Title for those assets rests with the Province of Nova Scotia.

Equipment purchases are expensed in the year of acquisition.

**Operating Costs**

These financial statements do not include certain Hospital expenses which are absorbed by the Department of Transportation and Public Works.

**Final Settlements**

Adjustments to prior years' operating results arising from the final settlement process of the Department of Health are reflected in equity in the year they are determined.

**3. Inventory**

Inventory is valued at average cost and comprises:

	<b>1997</b>	<b>1996</b>
Drug Distribution Program . . . . . \$	2,967,338 \$	2,779,814
Linen . . . . .	54,829	132,646
Stationery . . . . .	12,666	9,549
Food . . . . .	---	18,933
General . . . . .	19,987	21,923
Maintenance . . . . .	26,106	21,170
Medical/surgical . . . . .	9,672	8,829
	<u>\$ 3,090,598</u>	<u>\$ 2,992,864</u>

The Nova Scotia Hospital operates a central drug distribution program, available to all hospitals and other authorized health care facilities in the Province.

**4. Tri-Facilities Program**

On June 30, 1994, the Nova Scotia Hospital entered into an agreement with the Izaak Walton Killiam - Grace Health Centre for Children, Women and Families (IWK - GHC) and the Atlantic Child Guidance Centre to establish the Tri-Facilities project. The purpose of the program is to provide mental health care, research and education for children and adolescents.

In 1997 costs of \$2,043,561 (1996 - \$2,748,227) incurred by the Nova Scotia Hospital in providing child mental health services were recovered from the IWK - GHC and are not included on the Statement of Shareable Revenues and Expenses.

**5. Estimated Year-end Adjustments Due from Department of Health**

This account represents the net amount due from the Department of Health at the end of the fiscal year. Recovery and payment of the annual surplus/deficit is dependent upon the approval by the Department of Health of the Hospital's final settlement claim. The amounts relating to 1993-94, 1994-95 and 1995-96 have been approved in principle by the Department of Health.

	<b>1997</b>	<b>1996</b>
Deficit 1993-94 . . . . . \$	220,494 \$	4,584
(Surplus) Deficit 1994-95 . . . . .		
Hospital operations, net . . . . .	(277,595)	(310,553)
Central laundry . . . . .	153,519	179,522
Central drug distribution . . . . .	16,970	16,970
Deficit 1995-96		
Hospital operations, net . . . . .	115,909	123,700
Central drug distribution . . . . .	26,426	26,426
Surplus 1996-1997		
Hospital operations, net . . . . .	(31,190)	---
Central drug distribution . . . . .	(43,892)	---
	<u>\$ 180,641</u>	<u>\$ 40,649</u>

**6. Restricted Funds**

These funds include monies designated for restricted purposes by the Hospital and monies held in trust for patients. These funds have been segregated from normal operating assets with a corresponding liability account established for the fulfilment of the restricted purposes and balances held for the patients.

**7. Deferred Revenue**

This amount represents an advance payment to the Hospital from the Department of Health for funding for the 1997-98 fiscal year.

**8. Due to Department of Finance**

The Department of Finance processes and records the receipts and disbursements of the Nova Scotia Hospital. As a result, the cumulative difference between receipts and disbursements is recognized as a liability to the Department of Finance at year-end. The majority of this amount relates to the operation of the Provincial Drug Distribution Program.

As of April 1, 1997, the Hospital will no longer process its transactions through the Department of Finance.

**9. Central Laundry Operations**

In July 1994, the Hospital contracted with a private sector firm for management of the Hospital's central laundry operation. The intent is for the laundry operation to be self-financing with any surplus/deficit to be shared by the partner hospitals. The Department of Health has agreed in principle to fund the one time employee severance expense of \$153,519 which occurred in 1994-95. This amount is reflected in the amount Due from Department of Health (see Note 5). The Board of Directors - Central Laundry and Linen Services has determined that the operating surplus of \$11,741 for 1996-97 will be used to fund future deficits in central laundry operations.

**10. Non-Shareable Revenues**

The non-shareable revenues represent 20 percent of certain rental revenues which the Hospital is entitled to retain.

**11 Retained Surplus**

In May 1987 the Department of Health issued a policy statement permitting hospitals to retain part or all of the unspent portions of their budget at the end of each fiscal year. The purpose is to encourage hospitals to operate as efficiently as possible. This policy limits the annual retained surplus to \$500,000, and requires approval by the Department of any expenditures charged against it. All changes to the Retained Surplus during the year have been approved in principle by the Department of Health.



**12. Commitments**

The Hospital is liable at March 31, 1997 for vacation pay earned by its employees but not yet paid. Vacation pay is funded in the year of payment by the Department of Health to the extent that it forms part of the Hospital's overall net cost of shareable operations. The amount of the liability at March 31, 1997 is estimated to be \$187,625 (1996- \$179,036), and is not reflected in these financial statements.

**13. Costs Paid by the Province of Nova Scotia**

In 1997 the Province paid \$372,990 (1996 - \$921,815) for expenditures of the Hospital. This comprised \$83,253 (1996 - \$10,741) for maintenance expenditures and \$289,737 (1996 -\$911,074) related to capital expenditures.

**14. Public Service Superannuation Fund**

All full-time employees of the Nova Scotia Hospital 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 employer's contributions are included in the Hospital's operating expenses.

The Public Service Superannuation Fund is administered by the Department of Finance. The Hospital is not responsible for any unfunded liability.

**15. Comparative Figures**

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

**AUDITOR'S REPORT**

To the Minister of the Department of Economic Development and Tourism; and  
To the Chairman and Members of the Board of Directors of the  
Nova Scotia Innovation Corporation

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 1997 and consolidated statements of income and retained earnings, and changes in financial position for the years 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 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, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 5, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA INNOVATION CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

as at March 31, 1997

	<b>ASSETS</b>	
	<b>1997</b>	<b>1996</b>
<b>Current</b>		
Cash and short-term investments . . . . . \$	432,855 \$	386,991
Accounts receivable (Note 4) . . . . .	1,802,420	54,882
Inventory . . . . .	166,285	---
	<u>2,401,560</u>	<u>441,873</u>
<b>Investment and Funds</b>		
Nova Scotia First Fund (Note 5) . . . . .	11,525,300	---
Nova Scotia Information Highway (Note 6) . . . . .	2,000,000	---
Research Endowment Fund (Note 7) . . . . .	1,000,000	---
Other Investments (Note 8) . . . . .	628,649	---
	<u>15,153,949</u>	<u>---</u>
<b>Capital Assets, net (Note 9) . . . . .</b>	<u>8,340,181</u>	<u>184,485</u>
	<u>\$ 25,895,690</u>	<u>\$ 626,358</u>

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA INNOVATION CORPORATION**

**CONSOLIDATED BALANCE SHEET**

as at March 31, 1997

	1997	1996
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable . . . . . \$	1,118,068 \$	98,863
Due to Province of Nova Scotia . . . . .	644,158	---
Deferred revenue . . . . .	196,133	15,889
Current portion of Early Retirement Incentive Plans (Note 10) . . . . .	41,942	---
Due to Nova Scotia Research Foundation Corporation . . . . .	---	327,831
	<u>2,000,301</u>	<u>442,583</u>
<b>Nova Scotia Information Highway (Note 6)</b>		
Claim payable . . . . .	356,614	---
Fund Balance . . . . .	<u>1,643,386</u>	<u>---</u>
	<u>2,000,000</u>	<u>---</u>
<b>Long-Term</b>		
Early Retirement Incentive Plans (Note 10) . . . . .	<u>1,511,471</u>	<u>---</u>
<b>Deferred Government Assistance</b>	<u>943,531</u>	<u>184,485</u>
<b>Equity</b>		
Contributed surplus - Nova Scotia First Fund (Note 5) . . . . .	11,110,791	---
Contributed surplus - Nova Scotia Research Foundation Corporation (Note 2) . . . . .	7,832,430	---
Contributed surplus - Applied Microelectronics Incorporated (Note 8) . . . . .	<u>490,000</u>	<u>---</u>
	<u>19,433,221</u>	<u>---</u>
<b>Retained earnings (deficit)</b>		
Restricted for Nova Scotia First Fund (Note 5) . . . . .	414,509	---
Unrestricted . . . . .	<u>(407,343)</u>	<u>(710)</u>
	<u>7,166</u>	<u>(710)</u>
	<u>19,440,387</u>	<u>(710)</u>
	<u>\$ 25,895,690 \$</u>	<u>\$ 626,358</u>

**Loan Guarantees (Note 11)**

**Commitments (Note 5)**

See accompanying notes to the financial statements.

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA INNOVATION CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**  
**AND RETAINED EARNINGS**

for the year ended March 31, 1997

	1997	1996
<b>Revenues, Recoveries and Grants (Note 12)</b>		
Government Grants . . . . . \$	3,766,441	\$ 893,701
Commercialization and Industry Development . . . . .	2,046,312	---
Engineering Services . . . . .	1,153,905	---
Scientific Services . . . . .	572,222	---
Business Development . . . . .	550,003	242,454
Technology Innovation Center . . . . .	272,484	202,864
Administrative recoveries and ancillary operations . . . . .	336,223	---
	8,697,590	1,339,019
<b>Expenses</b>		
Commercialization and Industry Development . . . . .	2,321,499	---
Engineering Services . . . . .	1,777,541	---
Administration and occupancy . . . . .	1,524,401	516,235
Scientific Services . . . . .	613,851	---
Business Development . . . . .	635,243	196,386
Technology Innovation Center . . . . .	433,232	382,482
Corporate Office . . . . .	991,642	---
Corporate Affairs . . . . .	270,110	166,362
	8,567,519	1,261,465
<b>Income before amortization, investment income, early retirement incentive plan expense and Nova Scotia First Fund income . . . . .</b>	<b>130,071</b>	<b>77,554</b>
Amortization . . . . .	(837,800)	(27,954)
Investment income, royalties and gain on sale of shares . . . . .	430,867	4,850
Early retirement incentive plan expense . . . . .	(129,771)	---
	(536,704)	(23,104)
<b>Income (loss) before Nova Scotia First Fund income . . . . .</b>	<b>(406,633)</b>	<b>54,450</b>
Nova Scotia First Fund income . . . . .	414,509	---
<b>Net Income . . . . .</b>	<b>7,876</b>	<b>54,450</b>
<b>Retained Earnings (deficit), beginning of year . . . . .</b>	<b>(710)</b>	<b>(55,160)</b>
<b>Retained Earnings (deficit), end of year . . . . . \$</b>	<b>7,166</b>	<b>(710)</b>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA INNOVATION CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended March 31, 1997

	1997	1996
<b>Cash From (Used In) Operations</b>		
Net income . . . . . \$	7,876 \$	54,450
Add (deduct):		
Amortization . . . . .	837,800	27,954
Recognition of deferred government assistance. . . . .	(115,242)	(27,954)
Nova Scotia First Fund investment income (Note 5). . . . .	(414,509)	---
Gain on sale of shares (Note 16). . . . .	(116,281)	---
Equity in the loss of investee (Note 8). . . . .	14,204	---
Working capital adjustments . . . . .	(398,047)	332,541
	<u>(184,199)</u>	<u>386,991</u>
<b>Cash From (Used In) Investing Activities</b>		
Nova Scotia First Fund portfolio investments, net. . . . .	(10,788,443)	---
Nova Scotia First Fund equity investments (Note 5). . . . .	(600,000)	---
Nova Scotia Information Highway Fund (Note 6). . . . .	(2,000,000)	---
Research Endowment Fund (Note 7). . . . .	(1,000,000)	---
Acquisition of shares (Note 8, 16). . . . .	(668,000)	---
Proceeds on disposition of shares (Note 16). . . . .	294,281	---
Other investments. . . . .	(263,852)	---
Nova Scotia Research Foundation Corporation land, buildings and equipment (Note 2). . . . .	(7,924,399)	---
Capital asset purchases (Note 12) . . . . .	(957,946)	(212,439)
	<u>(23,908,359)</u>	<u>(212,439)</u>
<b>Cash From (Used In) Financing Activities</b>		
Contributed surplus. . . . .	19,433,221	---
Assumption of Nova Scotia Research Foundation Corporation early retirement incentive liability (Note 2). . . . .	1,605,392	---
Assumption of Nova Scotia First Fund liabilities (Note 5). . . . .	717,500	---
Advance from the Province of Nova Scotia for the Nova Scotia Information Highway (Note 6). . . . .	2,000,000	---
Deferred Government Assistance . . . . .	874,288	212,439
Nova Scotia First Fund disbursements (Note 5). . . . .	(440,000)	---
Early retirement incentive plan principal repayments. . . . .	(51,979)	---
	<u>24,138,422</u>	<u>212,439</u>
<b>Net Change in Cash Position</b> . . . . . \$	<u>45,864</u> \$	<u>386,991</u>
<b>Ending Cash Balance</b> . . . . . \$	432,855 \$	386,991
<b>Beginning Cash Balance</b> . . . . .	386,991	---
<b>Net Change in Cash Position</b> . . . . . \$	<u>45,864</u> \$	<u>386,991</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA INNOVATION CORPORATION

## Notes to the Consolidated Financial Statements

March 31, 1997

**1. Authority**

The Nova Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world.

**2. Dissolution of Nova Scotia Research Foundation Corporation**

Effective April 1, 1996 Nova Scotia Research Foundation Corporation (NSRFC) was dissolved and its enabling legislation revoked. All the rights, title, interest and obligations of NSRFC were transferred to InNOVAcorp on that date. These assets and obligations were recorded by InNOVAcorp at their fair market value as of the date of transfer. The excess of assets received over liabilities assumed was recorded as contributed surplus. Details of the transaction are as follows:

Item	Fair Market Value
Working capital. . . . .	\$ 236,920
Investments and funds. . . . .	1,276,503
Operational assets. . . . .	7,924,399
	<u>9,437,822</u>
Early retirement incentive plan obligations assumed. . . . .	1,605,392
Fair market value of net assets assumed. . . . .	<u>\$ 7,832,430</u>

**3. Accounting Policies**

InNOVAcorp's financial statements have been prepared in accordance with generally accepted accounting principles, the most significant of which are as follows:

**(a) Principles of Consolidation**

The consolidated financial statements include the accounts of InNOVAcorp and its wholly-owned subsidiary, Nova Magnetics Limited (NML). NML was transferred to InNOVAcorp on April 1, 1996 through the dissolution of the NSRFC.

**(b) Cash and Short-term Investments**

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair market value because they have maturities at the date of purchase of less than ninety days. Portfolio investments of the Nova Scotia First Fund are accorded the same treatment.

**(c) Inventory**

Inventory is valued at the lower of cost or net realizable value.

**(d) Long-Term Investments**

Venture capital investments made through the Nova Scotia First Fund and investments in companies over which InNOVAcorp does not have significant influence are carried at cost. InNOVAcorp's 50% investment in Plant Select Biotechnology Systems Limited is accounted for using the equity method. Where there has been other than a temporary decline in value, these investments are written down to provide for the loss.

**(e) Capital Assets**

Property, plant and equipment purchased or constructed by InNOVAcorp is stated at cost. Property, plant and equipment acquired by donation is stated at fair market value. Amortization of the technology license is calculated on the straight-line basis over its economic life of 23 months. Amortization of the other capital assets is based on the declining balance method over the estimated economic life of the related class of assets as follows:

Buildings	4%
Computer equipment	30%
Equipment, furniture and fixtures	20%
Improvements to non-owned buildings	100%

**(f) Donated Assets**

The donation of assets to InNOVAcorp is considered a capital contribution. The assets are recorded at their market value with an offsetting increase to a contributed capital account identifying the source of the donation. These assets are charged to income over their estimated economic life.

**(g) Government Grants and Deferred Government Assistance**

The portion of any government grants used for the acquisition of property, plant and equipment is recorded as deferred government assistance and recognized as income on the same basis as the related assets are amortized.

The remainder of these grants is recognized as income in the year they are received.

**4. Accounts Receivable**

During 1996-97, the Board of Directors of InNOVAcorp approved the write-off of \$33,208 (1996 - \$0) in accounts receivable.



## 5. Nova Scotia First Fund

On March 31, 1989, the Governor in Council approved a \$10 million appropriation to establish the Nova Scotia First Fund (NSFF). The objective of the fund is to encourage the development of high technology industries and to encourage the adoption of new technologies by existing industries.

During 1996-97 InNOVAcorp assumed management of the NSFF, pursuant to the Innovation Corporation Act. The Province transferred \$11,828,291 of NSFF cash to InNOVAcorp as part of this transaction. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to InNOVAcorp during the year. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Fund Obligations	Valuation Adjustment	Fund Balance
Beginning					
Balance .....	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Add (Deduct):					
Transferred from the Department of Finance .....	11,828,291	2,865,000	717,500	2,865,000	11,110,791
Investment Income .....	414,509	---	---	---	414,509
Equity investments .....	(600,000)	600,000	---	---	---
Non-repayable contributions .....	(440,000)	---	(440,000)	---	---
Ending Balance .....	<u>\$ 11,202,800</u>	<u>\$ 3,465,000</u>	<u>\$ 277,500</u>	<u>\$ 2,865,000</u>	<u>\$ 11,525,300</u>

InNOVAcorp is entitled to recover direct expenses associated with its administration of the Nova Scotia First Fund. In 1996-97 it elected not to charge the Fund for any of costs incurred. These costs were charged to the Commercialization and Industry Development division of the Corporation.

In addition to the above investments and obligations, as at March 31, 1997 there were \$1,400,000 of approved commitments for the NSFF.

## 6. Nova Scotia Information Highway

The Province of Nova has entered into an agreement to accelerate the development of the information highway in Nova Scotia through the establishment of a research center in Nova Scotia. The agreement provides for up to \$10 million in support of this development of which \$2 million is non-repayable. May 1, 1996 the Province advanced \$2 million to InNOVAcorp to maintain in a segregated account to provide for the non-repayable portion of the agreement. At March 31, 1997, \$356,614 had been claimed towards establishing this research centre.

## 7. Research Endowment Fund

Subject to any directions provided by the Governor in Council, the Research Endowment Fund is administered and controlled by the Corporation.

## 8. Other Investments

Investment in Applied Microelectronics Incorporated-see (a) . . . . .	\$ 490,000
Advances to the Advanced Materials Engineering Center . . . . .	82,060
Investment in common shares of British Columbia Research Incorporated (Note 16) . . . . .	41,042
Investment in PlantSelect Biotechnology Systems Limited-see (b) . . . . .	15,547
	<u>\$ 628,649</u>

(a) On March 21, 1996, InNOVAcorp entered into an agreement with the Applied Microelectronics Incorporated (AMI) to facilitate the privatization of that entity. On August 30, 1996, all of the resources and obligations of AMI were transferred to InNOVAcorp. The net assets received were recorded at their fair market value of \$490,000 with an offsetting amount recognized as contributed surplus. On the same date, the resources and obligations of AMI were transferred by InNOVAcorp to a newly-formed private company, Applied Microelectronics Incorporated, in exchange for 490,000 of 3%, non-cumulative preferred shares.

(b) This amount represents the net book value of the investment after a write down of \$14,204 to recognize 50% of the net loss of PlantSelect Biotechnology Systems Limited operations as of March 31, 1997.

**9. Capital Assets**

	1997			1996
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land .....	\$ 350,700	\$ ---	\$ 350,700	\$ ---
Buildings .....	6,292,096	244,184	6,047,912	---
Machinery and equipment .....	1,587,706	311,930	1,275,776	---
Computer equipment .....	605,494	143,796	461,698	114,074
SE Technology license .....	111,000	54,319	56,681	---
Furniture and fixtures .....	96,259	23,707	72,552	70,411
Non-owned buildings .....	87,658	87,658	---	---
Management information systems .....	74,862	---	74,862	---
	<u>\$ 9,205,775</u>	<u>\$ 865,594</u>	<u>\$ 8,340,181</u>	<u>\$ 184,485</u>

**10. Early Retirement Incentive Plans**

In February 1991 and November 1993, the Province of Nova Scotia announced its intention to implement Early Retirement Incentive Plans. As an outside agency, the Nova Scotia Research Foundation Corporation was invited to participate providing it agreed to pay the Province all costs of the Plans not covered by the Public Service Superannuation Fund. By resolutions of the Board of Directors on March 18, 1991 and January 20, 1994, NSRFC's participation in the Plans was authorized. These liabilities were transferred to InNOVAcorp upon the dissolution of NSRFC.

A liability in the amount of \$1,553,413 has been accrued as at March 31, 1997 (1996-\$0). This amount represents management's best estimate of the present value of the future payments required under the Plans. Of the total liability, \$41,942 (1996 - \$0) has been classified on the balance sheet as current and 1,511,471 (1996 - \$0) has been classified as long-term.

Aggregate payments required under the Plans in each of the next five years are as follows:

	Estimated Cash Flows	Imputed Interest	Principal Reduction
1997-98 .....	\$ 167,685	\$ 125,743	\$ 41,942
1998-99 .....	134,481	122,181	12,300
1999-00 .....	139,188	121,066	18,122
2000-01 .....	143,278	119,348	23,930
2001-02 .....	149,101	116,984	32,117

**11. Loan Guarantees**

The Corporation has provided a guarantee of \$200,000 as security for a loan and line of credit. At March 31, 1997, \$39,040 was outstanding on the line of credit.

InNOVAcorp has also agreed to provide another guarantee of \$150,000. At March 31, 1997 this guarantee was not in effect.

**12. Revenue, Recoveries and Grants**

InNOVAcorp received an annual grant from the Province of Nova Scotia as well as funding from various other Federal and Provincial government agencies. Funding related to the operating activities of a business unit has been included in the revenue and recoveries of that unit. Included in Commercialization and Industry Development revenue is government assistance of \$680,641 (1996 - \$0) for direct expenses incurred for the Technical People in Industry (TPI) program. TPI is an Atlantic Canada Opportunities Agency (ACOA) sponsored program administered by the Corporation, which provides partial salary support to companies employing new technical skills.

Funding not specific to a business unit's operating activities and funding related to the acquisition of capital assets is included in government grants. Details of this fund are as follows:

	1997	1996
Grant from Province of Nova Scotia . . . . .	\$ 3,752,000	\$ 1,067,186
Assistance received or receivable under various funding agreements for capital acquisitions . . . . .	502,439	11,000
Grant from Department of Housing and Municipal Affairs in lieu of taxes . . . . .	<u>267,129</u>	<u>---</u>
	4,521,568	1,078,186
<i>Less:</i> Government funding used to finance capital assets . . . . .	(957,946)	(212,439)
<i>Add:</i> Amortization of assets financed through government assistance . . . . .	<u>202,819</u>	<u>27,954</u>
	<u>\$ 3,766,441</u>	<u>\$ 893,701</u>

**13. Subsequent Event**

On April 1, 1997, the Advanced Materials Engineering Centre's (AMEC's) Testing Services activities were combined with those of InNOVAcorp's Materials Services Group. Substantially all of AMEC's staff were transferred to InNOVAcorp on that date. InNOVAcorp is not presently being charged for the use of AMEC's equipment. Once InNOVAcorp's Advanced Materials strategy is completed, a purchase-sale agreement for AMEC's assets is to be executed by the two parties.

**14. Public Service Awards**

Employees of the corporation are entitled to Public Service Awards on 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 26 weeks. The cost of the Award is provided for by the Corporation at the time the employee retires.

**15. Related Party Transaction**

Entity	Relationship	Sales To (1)(3)	Purchases From	Year End Receivable (2)	Year End Payable
PlantSelect Biotechnology Systems Limited . . . . .	50% Investee	\$ 79,331	\$ 3,404	\$ 49,581	\$ 3,404
Advanced Materials Engineering Centre . . . . .	Strategic Partner	3,694	14,797	85,754	---
NSFF Investments . . . . .	Venture Investments	95,007	---	38,410	---

(1) Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited and Advanced Materials Engineering Center at no cost as part of the business incubation process.

(2) The year end receivable includes \$82,060 in advances to the Advanced Materials Engineering Center to finance cash flow during AMEC's transition into InNOVAcorp. The amount bears no interest and has no specified terms of repayment.

(3) Sales include \$8,799 in consulting fees which were charged at approximately one-half InNOVAcorp's normal billing rates.

Other than as noted above, the terms of these transactions are the same as with unrelated parties and as such have been measured at the exchange amount. InNOVAcorp also has the use of the Technology Innovation Center which is owned by the Province of Nova Scotia, at no cost. During 1996-97 the Province also provided \$87,577 (1996 - \$0) for the capital maintenance of this facility.

**16. Sale of Shares in Silvagen Incorporated**

On April 16, 1996 the common shares in Silvagen Incorporated were sold by InNOVAcorp to British Columbia Research Incorporated (BCRI). Details of the transaction are as follows:

Proceeds of Disposition	
Cash .....	\$ 282,037
Shares in BCRI .....	41,042
	<u>323,079</u>
Less: Payment to ACOA, legal fees, accounting and tax .....	28,798
<b>Net Proceeds</b> .....	<u>294,281</u>
<b>Silvagen Common Shares transferred from NSRFC (see Note 2)</b> .....	178,000
<b>Gain on sale of Silvagen Common Shares</b> .....	<u>\$ 116,281</u>

InNOVAcorp also obtained a license to use Silvagen's technology for a fee of \$111,000. The Technology License has been sublicensed to PlantSelect Biotechnology Systems Limited, whose objective is to commercialize it in the field of ornamental conifers.

**17. Comparative Figures**

Certain of the 1996 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1997.

**AUDITOR'S REPORT**

To the Minister of Justice; and

To the Chair and Members of the Nova Scotia Legal Aid Commission

I have audited the balance sheet of the Nova Scotia Legal Aid Commission as at March 31, 1997, and the statement of revenues, expenses and surplus 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 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 Legal Aid Commission as at March 31, 1997 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 10, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA LEGAL AID COMMISSION**

**BALANCE SHEET**

as at March 31, 1997

**ASSETS**

	<b>1997</b>	<b>1996</b>
<b>Current</b>		
Cash .....	\$ 1,413,321	\$ 9,289
Investments (Note 3) .....	---	1,594,592
Receivables - Province of Nova Scotia .....	234,338	204,563
- Other .....	4,637	9,531
Prepaid expenses .....	37,212	58,190
	1,689,508	1,876,165
<b>Trust fund - public service awards (Note 4) .....</b>	<b>623,302</b>	<b>336,604</b>
<b>Furniture, equipment, and leasehold improvements (Note 2) .....</b>		
	<b>1</b>	<b>1</b>
	<b>\$ 2,312,811</b>	<b>\$ 2,212,770</b>

**LIABILITIES AND SURPLUS**

<b>Current</b>		
Accounts payable and accruals		
Supplies and services .....	\$ 99,568	\$ 82,173
Accrued private solicitors' fees (Note 5) .....	781,039	946,386
Employee benefits .....	58,161	46,240
	938,768	1,074,799
<b>Long-term</b>		
Accrued vacation (Note 6) .....	118,698	87,576
Early retirement incentive program (Note 7) .....	167,261	51,456
Long service awards (Note 8) .....	623,671	525,700
	909,630	664,732
<b>Surplus (Note 5) .....</b>	<b>464,413</b>	<b>473,239</b>
	<b>\$ 2,312,811</b>	<b>\$ 2,212,770</b>

Commitments and contingencies (Note 9)



## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA LEGAL AID COMMISSION

## Statement of Revenues, Expenses and Surplus

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Grant - Province of Nova Scotia . . . . . \$	10,468,338 \$	10,885,063
Interest . . . . .	109,640	182,751
Other income . . . . .	12,694	10,957
	<u>10,590,672</u>	<u>11,078,771</u>
<b>Expenses (Schedule I)</b>		
Directors' fees . . . . .	28,568	37,431
Equipment and maintenance . . . . .	56,794	45,877
Leasehold improvements . . . . .	200	6,472
Library . . . . .	113,229	124,303
Membership, meetings and conferences . . . . .	233,425	285,303
Office disbursements . . . . .	280,759	288,799
Private solicitors' fees (Note 5). . . . .	1,949,802	2,374,848
Professional and other fees . . . . .	90,083	64,267
Salaries and benefits . . . . .	6,709,389	6,675,645
Supplies and services . . . . .	895,661	915,481
Travel . . . . .	241,588	245,897
	<u>10,599,498</u>	<u>11,064,323</u>
<b>(Deficiency) Excess of revenues over expenses (Note 5) . . . . .</b>	<b>(8,826)</b>	<b>14,448</b>
<b>Surplus, beginning of year . . . . .</b>	<b>473,239</b>	<b>458,791</b>
<b>Surplus, end of year (Note 5) . . . . . \$</b>	<b><u>464,413</u> \$</b>	<b><u>473,239</u></b>

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA LEGAL AID COMMISSION****Notes to Financial Statements****March 31, 1997****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**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

**3. Investments**

In 1996, investments consisted of banker acceptance notes and were valued at cost which approximated market value. All investments matured at March 31, 1997.

**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 help provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to help defray future obligations for long service awards.

In prior years, employees with 15 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. As at March 31, 1997 six employees have received advances. Advances plus accrued interest at March 31, 1997 totalled \$134,814 (1996 - \$128,209).

	1997	1996
<b>Balance, beginning of year</b> .....	\$ 336,604	\$ 234,834
<i>Add:</i> Contribution from operating funds .....	269,312	85,000
Interest on long service award advances .....	8,445	10,782
Interest on investments .....	8,941	5,988
	<u>286,698</u>	<u>101,770</u>
 <b>Balance, end of year</b> .....	 <u>\$ 623,302</u>	 <u>\$ 336,604</u>
Consisting of:		
Cash .....	\$ 488,488	\$ 46,112
Securities and accrued interest on securities .....	---	162,283
Receivable - long service award advances and accrued interest on advances .....	<u>134,814</u>	<u>128,209</u>
	<u>\$ 623,302</u>	<u>\$ 336,604</u>

#### 5. Accrued Private Solicitors' Fees

The Commission assigns cases to private solicitors where a conflict of interest arises, or when choice of counsel is elected by the client in certain criminal cases. 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. The balance of \$781,039 as at March 31, 1997 (1996 - \$946,386) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years.

Due to an element of uncertainty in the estimation process, the difference between the estimated and actual liability may be material. Management of the Commission is confident that the actual current liability is in the range of \$625,000 to \$806,000. Consequently, private solicitors' fees expense could range from \$1,793,763 to \$1,974,763, excess (deficiency) of revenues over expenses could range from \$(33,787) to \$147,213 and end of year surplus could range from \$439,452 to \$620,452.

In addition to the \$781,039 liability for unbilled private solicitor fees, a further expenditure after March 31, 1997 of approximately \$465,261 may be required to complete these cases. Due to the reasons discussed above, this balance could range from approximately \$440,300 to \$621,300.

The surplus balance of the Commission is committed to fund the eventual completion of private solicitor cases outstanding at year end.

#### 6. Accrued Vacation

Employees may carry forward to future years up to five days of vacation leave in any given year. Accumulated vacation leave must be taken over the next four years. Earned but unused vacation leave at March 31, 1997 totalled \$158,264, of which \$118,698 is classified as a long-term liability.

## 7. Early Retirement Incentive Program

The Commission is participating in an Early Retirement Incentive Program offered by the Province of Nova Scotia to crown agencies. A liability in the amount of \$173,447 (1996 - \$56,369) has been accrued on March 31, 1997. This amount represents management's best estimate of the present value of the future payments required under the Program. Of the total liability, \$6,186 (1996-\$4,913) has been classified on the balance sheet as current and \$167,261 (1996-\$51,456) has been classified as long-term.

The present value of pension benefits to be paid by the Commission is expensed in the year an employee opts to take early retirement under the Program.

## 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 26 weeks.

In 1997, the Commission engaged an outside consultant to estimate the liability relating to the awards. The present value of obligations respecting long service awards at March 31, 1997 was estimated to be \$623,671 (1996 - \$525,700). As the Commission has long service award trust funds of \$623,302 (1996 - \$336,604), there is an unfunded liability of \$369 (1996 - \$189,096).

## 9. Commitments and Contingencies

(a) The Commission has entered into lease agreements for eleven of its offices. The remaining two 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. Most of the leases expire on or before December 31, 2000.

Minimum lease payments for signed lease agreements for the next five years, not including operating costs and taxes, are as follows:

1997/98	C\$384,587
1998/99	C\$374,196
1999/2000	C\$361,214
2000/2001	C\$275,920
2001/2002	C\$42,248

(b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide up to \$230,800 to Dalhousie Legal Aid Services for the year ending March 31, 1997.

(c) Certain employees of the Commission may acquire additional pensionable service under the Public Service Superannuation Act by purchasing eligible prior years' service. In the event that an employee elects to purchase the additional pensionable service, the Commission is required to match the employee's contribution. The Commission estimates its future costs could be in the range of \$100,000 to \$150,000 should all eligible employees elect to purchase prior years' service.

#### **10. 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. The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

#### **11. Comparative Figures**

Certain prior year's comparative figures on the Balance Sheet have been reclassified to conform with the presentation adopted for the current year.

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA LEGAL AID COMMISSION**

**Schedule of Expenses**

**for the year ended March 31, 1997**

	1997		1996
	Budget	Actual	Actual
<b>Directors' fees</b> .....	\$ 45,000	\$ 28,568	\$ 37,431
<b>Equipment and maintenance</b>			
Office furniture and equipment .....	19,000	12,255	13,165
Office machine leasing .....	14,000	10,311	8,028
Office machine maintenance .....	25,000	34,228	24,684
	<u>58,000</u>	<u>56,794</u>	<u>45,877</u>
<b>Leasehold improvements</b> .....	3,500	200	6,472
<b>Library</b> .....	131,000	113,229	124,303
<b>Membership, meetings and conferences</b>			
Membership and dues .....	185,000	180,419	244,347
Meetings and conferences .....	46,000	53,006	40,956
	<u>231,000</u>	<u>233,425</u>	<u>285,303</u>
<b>Office disbursements</b>			
Civil and Family .....	185,000	142,542	182,385
Criminal .....	103,000	130,490	96,591
Young Offender .....	10,000	7,727	9,823
	<u>298,000</u>	<u>280,759</u>	<u>288,799</u>
<b>Private solicitors' fees</b>			
Civil and Family - conflicts .....	977,928	1,173,936	1,331,919
Criminal - choice of counsel .....	200,000	124,894	100,007
Criminal - conflicts .....	425,415	532,788	694,430
Young Offender - conflicts .....	128,157	118,184	248,492
	<u>1,731,500</u>	<u>1,949,802</u>	<u>2,374,848</u>
<b>Professional and other fees</b>			
Professional fees .....	30,500	46,973	36,948
Duty counsel fees .....	43,500	43,110	27,319
Consultants fees .....	25,000	---	---
	<u>99,000</u>	<u>90,083</u>	<u>64,267</u>
<b>Salaries and benefits</b> .....	6,621,629	6,709,389	6,675,645
<b>Supplies and services</b>			
General cleaning and office expense .	66,000	54,090	63,286
Heat, light and water .....	38,500	29,068	28,751
Printing and stationery .....	84,000	78,789	86,955
Rent, insurance and taxes .....	495,000	476,111	485,836
Telephone and postage .....	266,000	257,603	250,653
	<u>949,500</u>	<u>895,661</u>	<u>915,481</u>
<b>Travel</b> .....	253,300	241,588	245,897
	<u>\$ 10,421,429</u>	<u>\$ 10,599,498</u>	<u>\$ 11,064,323</u>

**AUDITORS' REPORT**

To the Honourable Minister  
in charge of Administration  
Liquor Control Act  
Province of Nova Scotia  
Halifax, Nova Scotia

We have audited the balance sheet of The Nova Scotia Liquor Commission as at March 31, 1997 and the statements of income and changes in financial position for the year 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 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 Nova Scotia Liquor Commission as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG  
Chartered Accountants

Halifax, Canada  
June 6, 1997

**PROVINCE OF NOVA SCOTIA**  
**THE NOVA SCOTIA LIQUOR COMMISSION**

**BALANCE SHEET**

March 31, 1997, with comparative figures for 1996

	<b>ASSETS</b>	
	1997	1996
	(in thousands)	
<b>Current assets</b>		
Cash . . . . .	\$ 4,453	\$ 3,958
Accounts receivable . . . . .	1,206	714
Inventories of stock in warehouse and stores . . . . .	12,172	12,374
Prepaid expenses . . . . .	472	293
	<u>18,303</u>	<u>17,339</u>
<b>Property and equipment</b>		
Furniture, fixtures and portable equipment . . . . .	11,596	11,376
Other equipment . . . . .	6,859	6,689
Computers . . . . .	516	---
Land and buildings . . . . .	11,217	10,803
Capital and leasehold improvements . . . . .	18,531	17,959
	<u>48,719</u>	<u>46,827</u>
Less: Accumulated depreciation and amortization . . . . .	35,776	33,338
	<u>12,943</u>	<u>13,489</u>
<b>Assets under capital lease</b>	10,831	10,831
Less: Accumulated amortization . . . . .	6,035	5,485
	<u>4,796</u>	<u>5,346</u>
	<u>\$ 36,042</u>	<u>\$ 36,174</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities . . . . .	\$ 6,876	\$ 6,790
Current portion of obligations under capital leases (Note 2) . . . . .	211	184
	<u>7,087</u>	<u>6,974</u>
<b>Long-term liability</b>		
Obligations under capital lease (Note 2) . . . . .	<u>9,370</u>	<u>9,581</u>
<b>Due to Minister of Finance</b>		
Balance, beginning of year . . . . .	19,619	19,702
Remittances . . . . .	19,619	19,702
	---	---
Current year		
Net income . . . . .	116,104	113,363
Remittances . . . . .	96,519	93,744
Balance, end of year . . . . .	<u>19,585</u>	<u>19,619</u>
	<u>\$ 36,042</u>	<u>\$ 36,174</u>

Operating Leases (Note 4)

Contingencies (Note 5)

See accompanying notes to financial statements.



## PROVINCE OF NOVA SCOTIA

## THE NOVA SCOTIA LIQUOR COMMISSION

## Statement of Income

year ended March 31, 1997, with comparative figures for 1996

	1997	% of Sales (in thousands)	1996	% of Sales
Net Sales . . . . . \$	323,641	100.0	\$ 320,031	100.0
Cost of goods sold . . . . .	162,917	50.3	161,609	50.5
	160,724	49.7	158,422	49.5
Stores' operating expenses (Note 3) . . . . .	32,724	10.1	33,599	10.5
Income, store operations . . . . .	128,000	39.6	124,823	39.0
Warehousing and distribution expenses . . . . .	6,034	1.9	5,655	1.8
Administrative expenses (Note 3) . . . . .	9,075	2.8	8,988	2.8
Other revenue . . . . .	(5,057)	(1.6)	(4,724)	(1.5)
Other expenses . . . . .	947	0.3	750	0.2
	10,999	3.4	10,669	3.3
<b>Income before unusual item . . . . .</b>	<b>117,001</b>	<b>36.2</b>	<b>114,154</b>	<b>35.7</b>
Early retirement program . . . . .	897	0.3	791	0.3
<b>Income from operations . . . . . \$</b>	<b>116,104</b>	<b>35.9</b>	<b>\$ 113,363</b>	<b>35.4</b>

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## THE NOVA SCOTIA LIQUOR COMMISSION

## Statement of Changes in Financial Position

year ended March 31, 1997, with comparative figures for 1996

	1997	1996
	(in thousands)	
Cash provided by (used in):		
Operations:		
Income from operations . . . . . \$	116,104 \$	113,363
Depreciation and amortization not involving cash . . . . .	3,495	3,540
Change in non-cash operating working capital . . . . .	(383)	1,915
	<u>119,216</u>	<u>118,818</u>
Financing:		
Principal payments on obligations under capital lease . . . . .	(184)	(160)
Investments:		
Additions to property and equipment (net) . . . . .	(2,399)	(3,362)
Other:		
Remittances to Minister of Finance . . . . .	(116,138)	(113,446)
Increase in cash . . . . .	495	1,850
Cash, beginning of year . . . . .	<u>3,958</u>	<u>2,108</u>
Cash, end of year . . . . . \$	<u><u>4,453</u></u> \$	<u><u>3,958</u></u>

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## THE NOVA SCOTIA LIQUOR COMMISSION

## Notes to Financial Statements

year ended March 31, 1997

The Nova Scotia Liquor Commission administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989.

**1. Significant accounting policies**

## (a) Inventories:

Inventories of stock in warehouse 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.

## (b) Property and equipment:

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line basis at the following annual rates:

<b>Asset</b>	<b>Rate</b>
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements .....	10%
Computers .....	20%
Land and buildings .....	5%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are written off due to the retention of proceeds by the Province of Nova Scotia.

## (c) Assets under capital lease:

Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

**2. Obligations under capital lease**

The Nova Scotia Liquor Commission has an obligation under a capital lease, which matures in 2011. 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 following is a schedule by years of future minimum lease

payments together with the balance of the obligation under capital lease as of March 31, 1997:

1998 .....	\$	1,536,000
1999 .....		1,537,000
2000 .....		1,536,000
2001 .....		1,537,000
2002 .....		1,536,000
2003-2011 .....		<u>14,980,000</u>
Total minimum lease payments .....		22,662,000
Less: Amounts representing interest .....		<u>(13,081,000)</u>
Balance of obligation .....		9,581,000
Less: Current portion of obligations under capital lease .....		<u>211,000</u>
	\$	<u><u>9,370,000</u></u>

### 3. Expenses

Depreciation of property and equipment, amortization of leasehold improvements and capital leases is recorded in expenses as follows:

	1997	1996
	(in thousands)	
Stores' operating expenses .....	\$ 2,043	\$ 2,130
Administrative expenses .....	<u>1,452</u>	<u>1,410</u>
	<u>\$ 3,495</u>	<u>\$ 3,540</u>

Administrative expenses also include the following:

Interest on obligation under capital lease .....	\$ <u>1,353</u>	\$ <u>1,376</u>
--	-----------------	-----------------

### 4. Operating leases:

The Nova Scotia Liquor Commission leases buildings, premises and equipment under operating leases which expire at various dates between 1998 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following is an approximate schedule by years of future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 1997:

1998 .....	\$	2,482,000
1999 .....		2,278,000
2000 .....		2,087,000
2001 .....		1,599,000
2002 .....		1,215,000
2003-2011 .....		<u>4,385,000</u>
Total minimum payments required .....	\$	<u><u>14,046,000</u></u>

**5. Contingencies**

The Nova Scotia Liquor Commission is included in actions by Air Canada and Air Nova to recover certain amounts paid in respect of liquor purchases from various liquor boards. The outcome of this action is not determinable at the present time.

**6. Pension plan and retirement obligations**

Full time employees of the Nova Scotia Liquor Commission are members of the Nova Scotia Public Service Superannuation Plan.

**7. Comparative figures**

Certain of the 1996 figures, presented for comparative purposes, have been restated to conform with the presentation adopted for 1997.

**8. Financial instruments**

The fair value of the obligation under capital lease is as follows:

	Carrying Amount	Fair Value
Capital lease obligation . . . . .	\$ <u>9,581,000</u>	\$ <u>13,313,000</u>

The fair value of the above was determined using the present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the company for instruments of a similar nature.

**AUDITORS' REPORT**

To the Directors of the  
Nova Scotia Municipal Finance Corporation

We have audited the statement of financial position of Nova Scotia Municipal Finance Corporation as at March 31, 1997 and the statements of revenue, expenditure and reserve fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND  
Chartered Accountants

Halifax, Canada  
May 13, 1997

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## STATEMENT OF FINANCIAL POSITION

March 31, 1997

	1997	1996
<b>ASSETS</b>		
Current assets		
Cash . . . . .	\$ 21,060	\$ 815,283
Short-term investments, at amortized cost (market - \$5,725,000: 1996- \$8,000,000) . . . . .	5,725,000	8,000,000
Accrued interest receivable . . . . .	18,856,241	20,189,121
Principal due within one year on loans to units . . . . .	<u>51,378,481</u>	<u>88,918,800</u>
	75,980,782	117,923,204
Long-term assets		
Loans to units (Note 3) . . . . .	536,306,767	562,289,567
Less: Principal included in current assets . . . . .	<u>51,378,481</u>	<u>88,918,800</u>
	484,928,286	473,370,767
Investments, at amortized cost (market - \$7,019,863; 1996- \$3,693,047). . . . .	<u>6,572,574</u>	<u>3,616,331</u>
	<u>491,500,860</u>	<u>476,987,098</u>
Deferred charges		
Discount on debenture debt . . . . .	2,363,065	2,048,041
Less: Accumulated amortization . . . . .	<u>1,700,845</u>	<u>1,521,588</u>
	662,220	526,453
	<u>\$ 568,143,862</u>	<u>\$ 595,436,755</u>
Trust fund assets (Note 4) . . . . .	<u>\$ 128,802,462</u>	<u>\$ 138,406,723</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable . . . . .	\$ 12,323	\$ 15,522
Accrued interest payable . . . . .	18,974,501	20,404,466
Principal due within one year on debenture debt . . . . .	<u>51,278,000</u>	<u>88,766,000</u>
	70,264,824	109,185,988
Long-term debt		
Debentures payable (Note 5) . . . . .	542,600,000	568,426,000
Less: Principal included in current liabilities . . . . .	<u>51,278,000</u>	<u>88,766,000</u>
	491,322,000	479,660,000
Deferred credits		
Discount on loans to units . . . . .	2,395,043	2,080,247
Less: Accumulated amortization . . . . .	<u>1,790,488</u>	<u>1,635,323</u>
	604,555	444,924
<b>EQUITY</b>		
Reserve Fund . . . . .	<u>5,952,483</u>	<u>6,145,843</u>
	<u>\$ 568,143,862</u>	<u>\$ 595,436,755</u>
Trust funds under administration (Note 4) . . . . .	<u>\$ 128,802,462</u>	<u>\$ 138,406,723</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Statement of Revenue, Expenditure and Reserve Fund

year ended March 31, 1997

	1997	1996
Revenue		
Interest on loans to units . . . . . \$	57,176,743 \$	58,473,729
Amortization of discount on loans to units . . . . .	155,165	147,605
Interest on short-term investments . . . . .	688,197	742,746
Current discount on loans to units . . . . .	<u>241,475</u>	<u>279,093</u>
	58,261,580	59,643,173
Expenditure		
Interest on debenture debt and short-term loans. . . . .	57,902,158	58,991,874
Amortization of discount on debenture debt . . . . .	179,257	149,514
Debenture issue expenses . . . . .	208,832	251,915
Administrative expenses (Note 6) . . . . .	<u>164,693</u>	<u>159,216</u>
	58,454,940	59,552,519
Net (expenditure) revenue . . . . .	(193,360)	90,654
Reserve fund, beginning of period . . . . .	<u>6,145,843</u>	<u>6,055,189</u>
Reserve fund, end of period . . . . . \$	<u><u>5,952,483</u></u> \$	<u><u>6,145,843</u></u>



## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Statement of Changes in Financial Position

year ended March 31, 1997

	1997	1996
Cash derived from:		
Net (expenditure) revenue . . . . . \$	(193,360) \$	90,654
Add (deduct) items not involving cash:		
Amortization of discount on loans to units . . . . .	(155,165)	(147,605)
Amortization of discount on debenture debt . . . . .	179,257	149,514
	(169,268)	92,563
Issue of debentures of \$62,940,000 net of discounts of \$315,024 (1996 - \$51,100,000 net of discounts of \$92,364) . . . . .	62,624,976	51,007,636
Principal received on loans to units . . . . .	88,918,800	48,149,154
Change in non-cash working capital (Note 8) . . . . .	(100,284)	171,144
	<u>151,274,224</u>	<u>99,420,497</u>
Cash applied to:		
Loans of \$62,936,000 to units on security of debentures, net of discounts of \$314,796 (1996- \$51,083,076 net of discounts of \$92,296) . . . . .	(62,621,204)	(50,990,780)
Principal payment on debenture debt . . . . .	(88,766,000)	(43,003,000)
Change in non-cash working capital (Note 8) . . . . .	---	---
Purchase of investments, net of premiums of \$352,426 (1996- \$883,669) . . . . .	(2,956,243)	(3,616,331)
	<u>(154,343,447)</u>	<u>(97,610,111)</u>
(Decrease) Increase in cash . . . . .	(3,069,223)	1,810,386
Cash and short-term investments		
Beginning of year . . . . .	8,815,283	7,004,897
End of year . . . . . \$	<u>5,746,060</u>	<u>8,815,283</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to the Financial Statements

March 31, 1997

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 object of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district 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 interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.

**2. Fair values of financial instruments**

Financial assets and financial liabilities

The fair values of cash, accrued interest receivable, and principal due within one year on loans to units 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. The fair values of payables and principal due within one year on debenture debt are assumed to approximate their carrying amounts because of their short term to maturity.

The fair values of the Corporation's loans to units and debentures payable fluctuate with changes in current lending rates. The Corporation's mandate rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As at March 31, 1997, the Corporation's debenture debt was hedged by offsetting loans to units with the exception of approximately \$6,300,000 which was hedged by unrelated marketable securities. The fair market value of the marketable securities was \$7,019,863, while the fair market value of the debentures in excess of the loans to units was \$7,320,000. As the Corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect the differences.

Trust fund assets managed by the Corporation are completely offset by the trust fund liabilities providing a hedge against fair value changes.

### 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 4.75% to 14.25%. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

(b) Principal payments receivable in each of the next five years are as follows:

1998 .....	\$	51,378,481
1999 .....	\$	70,358,077
2000 .....	\$	123,092,895
2001 .....	\$	138,806,911
2002 .....	\$	41,739,533

### 4. Trust funds under administration

Trust fund assets totalling \$128,802,462 (1996- \$138,406,723) are held on behalf of certain municipal units. These funds represent sinking funds which are held by the Corporation to be applied to the repayment of outstanding debenture debt of the respective municipalities at maturity.

### 5. Debentures payable:

(a) The debenture debt outstanding at March 31, 1997 totalling \$542,600,000 (1996 - \$568,426,000) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia.

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
A	Jan. 4/80	1997 to 2000	11.250	\$ 3,750,000
B	July 2/80	1997 to 2000	12.000	2,800,000
C	Dec. 19/80	1997 to 2000	13.375	5,000,000
D	Dec. 19/80	1997 to 2000	13.375	2,000,000
K	Sept. 7/83	1997 to 1998	12.750	1,400,000
M	Aug. 28/84	1997 to 1999	14.250	300,000
N	Apr. 2/85	1997 to 2005	12.250-12.500	4,795,000
P	Dec. 11/85	1997 to 2000	10.900-11.000	3,000,000
S	May 14/87	1997	8.750-8.750	4,987,000
T	Dec. 15/87	1997	10.800-10.750	5,231,000
U	May 11/88	1997 to 1998	10.350-10.375	3,889,000
V	Nov. 3/88	1997 to 1998	10.900-11.000	29,125,000
W	Apr. 26/89	1999	11.250	40,100,000
X	Nov. 16/89	1999	10.500	43,000,000
Y	June 21/90	2000	11.750	44,000,000
Z	Nov. 15/90	2000	11.900	59,000,000

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
AA	May 29/91	1997 to 2001	10.375-10.50	18,000,000
AB	Oct. 30/91	1997 to 2001	9.500-9.750	23,925,000
AC	May 13/92	1997 to 2002	9.375-9.875	36,680,000
AD	Dec. 9/92	1997 to 2002	7.500-8.500	28,920,000
AE	May 5/93	1997 to 2003	7.375-8.500	19,140,000
AF	Nov. 18/93	1997 to 2003	6.500-7.625	15,250,000
AG	July 13/94	1997 to 2004	8.250-9.250	14,960,000
AH	Dec. 8/94	1997 to 2004	8.375-9.750	23,668,000
AI *	May 2/95	1997 to 2005	8.250-9.125	15,915,000
AJ	Nov. 14/95	1997 to 2005	6.875-8.125	30,825,000
AK *	May 14/96	1997 to 2006	5.500-8.000	41,800,000
AL *	Oct. 28/96	1997 to 2006	4.750-7.500	21,140,000
				<u>\$ 542,600,000</u>

\* Placed directly with the Province

Interest is payable semi-annually.

(b) Principal payments due in each of the next five years are as follows:

1998 .....	\$ 51,278,000
1999 .....	\$ 71,073,000
2000 .....	\$ 124,308,000
2001 .....	\$ 143,429,000
2002 .....	\$ 41,772,000

**6. Administrative expenses:**

	1996/97 Budget	1996/97 Actual	1995/96 Actual
Salaries and benefits .....	\$ 123,800	\$ 120,056	\$ 118,697
Travel .....	4,000	2,616	71
Equipment and maintenance .....	7,500	4,628	4,509
Printing .....	2,300	1,417	1,565
Postage .....	4,000	3,189	3,084
Telecommunications .....	6,260	3,609	4,450
Stationery and supplies .....	5,000	3,794	5,052
Professional services .....	5,000	4,800	5,630
Bank charges .....	9,000	10,932	8,994
Directors' fees and expenses .....	5,600	4,788	2,945
Professional development .....	4,930	3,077	1,257
Dues and subscriptions .....	950	1,199	1,838
Insurance .....	755	555	756
Other .....	500	33	368
	<u>\$ 179,595</u>	<u>\$ 164,693</u>	<u>\$ 159,216</u>

**7. Taxes:**

The corporation is not subject to Provincial or Federal Taxes.

**8. Change in non-cash working capital**

	<b>1997</b>	<b>1996</b>
Accrued interest receivable . . . . .	\$ 1,332,880	\$ (114,365)
Accounts payable . . . . .	(3,199)	(4,072)
Accrued interest payable . . . . .	<u>(1,429,965)</u>	<u>289,581</u>
	<u>\$ (100,284)</u>	<u>\$ 171,144</u>

**AUDITORS' REPORT**

To the Chair and Members of the  
Nova Scotia Police Commission

We have audited the balance sheet of the Nova Scotia Police Commission as at March 31, 1997 and the statements of operations and changes in financial position for the year 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 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 Commission as at March 31, 1997, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND  
Chartered Accountants

Halifax, Nova Scotia  
May 23, 1997

## NOVA SCOTIA POLICE COMMISSION

## BALANCE SHEET

March 31, 1997

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Cash .....	\$ 53,304	\$ 70,869
Accounts receivable .....	859	963
	<u>\$ 54,163</u>	<u>\$ 71,832</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Payables and accruals .....	\$ 11,087	\$ 19,647
Due to Province of Nova Scotia .....	43,076	52,185
	<u>\$ 54,163</u>	<u>\$ 71,832</u>

See accompanying notes to the financial statements.

## NOVA SCOTIA POLICE COMMISSION

## Statement of Operations

year ended March 31, 1997

	1997	1996
<b>Revenue</b>		
Grant from the Province of Nova Scotia - gross . . . . . \$	270,000	\$ 257,300
Refundable portion . . . . .	(33,493)	(39,082)
Net grant . . . . .	<u>236,507</u>	<u>218,218</u>
Interest and other revenue . . . . .	2,252	1,335
	<u>238,759</u>	<u>219,553</u>
<b>Expenses</b>		
Commission		
Salaries, wages and benefits . . . . .	140,808	147,891
Investigation services . . . . .	23,079	8,714
Travel . . . . .	15,048	10,643
Office supplies and services . . . . .	8,466	5,951
Equipment . . . . .	8,118	7,758
Telephone . . . . .	1,948	1,856
Dues and fees . . . . .	1,819	1,451
Audit . . . . .	1,000	1,000
Other expenses . . . . .	658	71
Repairs and maintenance . . . . .	616	473
Printing and copying . . . . .	461	2,630
Transcription . . . . .	15	967
	<u>202,036</u>	<u>189,405</u>
Review Board		
Salaries, wages and benefits . . . . .	21,225	19,804
Travel . . . . .	13,408	9,025
Dues and fees . . . . .	2,090	937
Transcription . . . . .	---	350
Other expenses . . . . .	---	32
	<u>36,723</u>	<u>30,148</u>
	<u>238,759</u>	<u>219,553</u>
Operating surplus for the year . . . . . \$	<u>---</u>	<u>\$ ---</u>

See accompanying notes to the financial statements.



## NOVA SCOTIA POLICE COMMISSION

## Statement of Changes in Financial Position

year ended March 31, 1997

	1997	1996
Cash derived from (applied to)		
<b>Operating</b>		
Decrease (increase) in accounts receivable . . . . . \$	104 \$	(733)
(Decrease) increase in accounts payable . . . . .	(8,560)	11,219
(Decrease) increase in due to Province of Nova Scotia . . . . .	<u>(9,109)</u>	<u>40,081</u>
(Decrease) increase in cash . . . . .	(17,565)	50,567
 Cash		
Beginning of year . . . . .	<u>70,869</u>	<u>20,302</u>
End of year . . . . . \$	<u><u>53,304</u></u> \$	<u><u>70,869</u></u>

See accompanying notes to the financial statements.

**NOVA SCOTIA POLICE COMMISSION****Notes to the Financial Statements****March 31, 1997****1. Incorporation**

The Nova Scotia Police Commission was incorporated pursuant to the Police Act of Nova Scotia, Chapter 348 of the Revised Statutes of Nova Scotia, 1989.

**2. Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles. The Board charges fixed asset acquisitions to expense in the year of purchase which is permitted under Public Sector Accounting Principles.

**3. Pensions**

The full time employees of the Commission are entitled, as Civil Servants, 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 Commission's operating expenses. The Commission is not responsible for any unfunded liability.

**4. Financial Instruments****Financial assets**

The fair values of cash and accounts receivable approximate their carrying amounts.

**Financial liabilities**

The fair values of payables and accruals and the Due to Province of Nova Scotia approximate their carrying amounts.

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA POWER FINANCE CORPORATION****(Formerly Nova Scotia Power Corporation - See Note 1)**

The following statements for the Nova Scotia Power Finance Corporation are in draft format only. They had not been approved by the Board of Directors at the time these statements were published.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

## Statement of Financial Position

as at March 31, 1997

	1997	1996
	(in millions)	
<b>NET ASSETS</b>		
Notes receivable - Nova Scotia Power Inc. (Note 2) . . . . . \$	5.7	37.1
Accrued interest due from Nova Scotia Power Inc. . . . .	2.7	6.6
	<u>8.4</u>	<u>43.7</u>
<i>Less:</i> Long-term debt (Note 3) . . . . .	(5.7)	(37.1)
Accrued interest on long-term debt . . . . .	(2.7)	(6.6)
Net (Note 4) . . . . . \$	<u>---</u>	<u>---</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

## Statement of Earnings and Retained Earnings

year ended March 31, 1997

	1997	1996
	(in millions)	
Revenue		
Interest on matching notes (Note 6) . . . . . \$	5.7 \$	21.6
Expenses		
Interest on long-term debt (Note 6) . . . . .	<u>5.7</u>	<u>21.6</u>
<b>Net earnings</b> . . . . .	---	---
<b>Retained earnings, beginning of year</b> . . . . .	---	---
<b>Retained earnings, end of year</b> . . . . . \$	<u>---</u>	<u>---</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA POWER FINANCE CORPORATION

## Notes to the Financial Statements

year ended March 31, 1997

**1. Reorganization and Privatization**

In 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (N.S.P.C.). In effecting this, pursuant to the Asset Transfer Agreement effective on August 10, 1992, N.S.P.C. transferred all of its existing assets, liabilities and equity except for long-term debt and related sinking funds to Nova Scotia Power Inc. (N.S.P.I.) 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 N.S.P.I., issued to the Province of Nova Scotia, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering. Concurrently, the \$13.3 million of contributed surplus of N.S.P.C. was transferred to the retained earnings of N.S.P.I.

Subsequent to the reorganization and privatization, the business activities of N.S.P.C. continued under N.S.P.I. N.S.P.C. changed its name to Nova Scotia Power Finance Corporation (N.S.P.F.C.) which continues to hold the long-term debt and sinking fund assets.

Under the terms of the matching notes receivable, N.S.P.I. is responsible for the long-term debt of N.S.P.F.C.

**2. Notes Receivable - Nova Scotia Power Inc.**

	1997	1996
	(in millions)	
Matching notes receivable (Note 1) .....	\$ 109.5	\$ 229.0
Less: Sinking fund matching notes payable (Note 1) .....	103.8	191.9
	<u>\$ 5.7</u>	<u>\$ 37.1</u>

**3. Long-Term Debt**

	1997	1996
	(in millions)	
Bonds and debentures, net of sinking funds and defeasance investments .....	\$ 5.7	\$ 37.1

A number of the bond and debenture issues are redeemable prior to maturity at the option of the Corporation. Bonds, debentures and notes payable are summarized by years of maturity in the following table:

Years of Maturity	1997		1996	
	Principal Outstanding Total	Weighted Average Coupon Rate % (in millions)	Principal Outstanding Total	Weighted Average Coupon Rate %
1996 .....	\$ ---	---	\$ 19.4	---
1997 .....	9.6	9.6	---	---
1998 .....	---	---	---	---
1999 .....	---	---	---	---
2000 .....	---	---	---	---
1-5 years .....	9.6	10.25	29.0	9.45
6-10 years .....	100.0	9.31	200.0	9.41
11-15 years .....	---	---	---	---
16-20 years .....	---	---	---	---
21-25 years .....	---	---	---	---
26-30 years .....	---	---	---	---
31-40 years .....	---	---	---	---
Total long-term debt (Schedule 1) .....	109.6	<u>9.39</u>	229.0	<u>9.41</u>
Less: Sinking funds (Schedule 1) ..	<u>103.9</u>		<u>191.9</u>	
Net long-term debt (Schedule 2) .....	\$ <u>5.7</u>		\$ <u>37.1</u>	

(1) Principal outstanding at March 31, 1996 is stated net of related defeasance assets. Details of defeasance to March 31, 1996 are provided in Schedule 1 to the financial statements.

#### 4. Change in Accounting Policy

Pursuant to changes in the reporting requirements for financial instruments, issued by the Canadian Institute of Chartered Accountants and effective for the year ended March 31, 1997, and applied retroactively to 1996, there is a requirement to net offsetting Notes Receivable and Long-Term Debt, and related interest, where there is a legally enforceable right to set off the recognized amounts and where the corporation's management does intend to realize on the asset and, simultaneously, settle the liability. Management concurs that these conditions apply to Nova Scotia Power Finance Corporation and hence the assets, less offsetting liabilities, have been netted in the Balance Sheet.

## 5. Debt Defeasance

On reorganization, N.S.P.I. and N.S.P.F. committed, subject to certain conditions, to effect defeasance of N.S.P.F.'s long-term debt through repayment of the matching notes by December 31, 1997 in order to fully remove the debt from its balance sheet by that date. Defeasance requires qualifying assets to be set aside by the debtor to be used solely for satisfying scheduled future payments of principal and interest of a specific obligation.

Under the terms of the Defeasance Agreement, subject to certain factors, minimum amounts of debt to be defeased are as follows:

December 31	Annual Amount (in millions)
1993 .....	\$ 200.0
1994 .....	300.0
1995 .....	400.0
1996 .....	250.0
1997 .....	231.6
	<u>\$ 1,381.6</u>

As at March 31, 1997, \$1,440.3 million of debt had been defeased (1996 - \$1,434.0 million) (Schedule 1).

## 6. Interest

	1997 (in millions)	1996
Interest on long-term debt .....	\$ 17.7	\$ 76.7
Less: Sinking fund earnings .....	<u>(12.0)</u>	<u>(55.1)</u>
	5.7	21.6
Less: Interest on matching notes - N.S.P.I. ....	<u>(5.7)</u>	<u>(21.6)</u>
	<u>\$ ---</u>	<u>\$ ---</u>

## 7. General and Administrative Expenses

Under the terms of the privatization agreements, N.S.P.I. is responsible for the payment of N.S.P.F.C. expenses. During the year, \$26,736 of such expenses were incurred by N.S.P.F.C. and recovered by it from N.S.P.I.



## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA POWER FINANCE CORPORATION

## Long-Term Debt and Sinking Funds

as at March 31, 1997

Series	Date of Maturity		Rate	Amount Outstanding	Defeasance To Date	Net Undeafesed Balance	(1)(2) Sinking Funds
<b>Debentures</b>							
"S"	July 21, 2002	(3)	9.25%	\$ 50,000,000	\$ ---	\$ 50,000,000	49,057,657
"V"	January 10, 2003	(3)	9.375%	50,000,000	---	50,000,000	45,290,755
"AA"	July 15, 2005	(3)	11.50%	50,000,000	50,000,000	---	---
"AE"	December 1, 2002	(3)	13.50%	100,000,000	100,000,000	---	---
"AF"	December 20, 2003	(3)	12.50%	75,000,000	75,000,000	---	---
"AG"	February 14, 2005	(3)	12.125%	100,000,000	100,000,000	---	---
"AH"	November 15, 2012		10.875%	150,000,000	150,000,000	---	---
"AJ"	April 27, 2014		11.25%	200,000,000	200,000,000	---	---
"AK"	January 10, 2020		10.25%	150,000,000	150,000,000	---	---
"AM"	February 26, 2031		11.00%	200,000,000	200,000,000	---	---
"AN"	April 1, 2021 (U.S.)	(2)	9.40%	415,290,000	415,290,000	---	---
"DO02"	July 7, 1997		10.25%	9,563,900	---	9,563,900	9,500,000
<b>Total long-term debt</b>				<u>\$ 1,549,853,900</u>	<u>\$ 1,440,290,000</u>	<u>\$ 109,563,900</u>	<u>\$ 103,848,412</u>

(1) Sinking funds are maintained on a pooled basis. Presentation by individual debenture issue, above, is based upon management allocation.

(2) Amounts payable in foreign currencies and those sinking fund investments denominated in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

(3) Callable issues. Under the terms of the privatization agreements, all options must be exercised.

## Schedule 2

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA POWER FINANCE CORPORATION

## Continuity of Long-Term Debt

August 10, 1992 to March 31, 1997

Long-term debt, August 10, 1992 (Note 1) .....	\$	2,152,879,732
Less: Sinking funds, August 10, 1992 .....		(420,560,964)
Net long-term debt, August 10, 1992 .....		<u>1,732,318,768</u>

Less: Retired, funded or defeased:

	<u>Debt</u> <u>Retirement</u>	<u>Sinking Fund</u> <u>Growth</u>	<u>Defeasance</u>	
Year ended March 31,				
1993 .....	\$ (1,371,458)	\$ (57,498,429)	\$ (130,872,250)	(189,742,137)
Year ended March 31,				
1994 .....	(238,449,609)	69,597,333	(373,507,887)	(542,360,163)
Year ended March 31,				
1995 .....	(65,543,679)	70,132,288	(354,775,338)	(350,186,729)
Year ended March 31,				
1996 .....	(184,588,286)	146,494,758	(574,804,525)	(612,898,053)
Year ended March 31, 1997				
Sinking fund				
instalments(NSPI) .....	---	---	---	---
Sinking fund				
earnings .....	---	(12,013,398)	---	(12,013,398)
Retirement of				
debentures .....	(100,005,000)	100,000,000	---	(5,000)
Transfer to				
defeasance .....	---	---	---	---
Retirement of savings				
bonds .....	(19,397,800)	---	---	(19,397,800)
Foreign currency				
translation .....	6,330,000	---	(6,330,000)	---
	<u>(113,072,800)</u>	<u>87,986,602</u>	<u>(6,330,000)</u>	<u>(31,416,198)</u>
	\$ <u>(603,025,832)</u>	\$ <u>316,712,552</u>	\$ <u>(1,440,290,000)</u>	<u>(1,726,603,280)</u>

Net long-term debt, March 31, 1997		
(Note 3) .....	\$	<u>5,715,488</u>

Comprised of:

Long-term debt (Schedule 1) .....	\$	1,549,853,900
Less: Sinking funds .....		(103,848,412)
Defeased investments .....		<u>(1,440,290,000)</u>
	\$	<u>5,715,488</u>

**AUDITOR'S REPORT**

To the Minister of Natural Resources; and

To the Chair and Members of the  
Nova Scotia Primary Forest Products  
Marketing Board

I have audited the balance sheet of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 1997 and the statement of revenues, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Board as at March 31, 1997 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 26, 1997

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996 (Restated Note 4)
<b>Current</b>		
Cash .....	\$ 200	\$ 200
Current portion of loan receivable (Note 3) .....	10,000	---
Due from processors .....	81,699	44,415
Due from Province of Nova Scotia .....	511,641	540,379
	<u>603,540</u>	<u>584,994</u>
<b>Long-Term</b>		
Loan receivable (Note 3) .....	15,000	---
	<u>\$ 618,540</u>	<u>\$ 584,994</u>

## LIABILITIES AND FUND BALANCE

<b>Current</b>		
Due to bargaining agents .....	\$ 24,914	\$ 35,932
Unearned revenue (Note 4) .....	16,621	9,902
	<u>41,535</u>	<u>45,834</u>
<b>Fund Balance (Note 4) .....</b>	<u>577,005</u>	<u>539,160</u>
	<u>\$ 618,540</u>	<u>\$ 584,994</u>

Commitment (Note 5)

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

## Statement of Revenues, Expenses and Fund Balance

for the year ended March 31, 1997

	1997	1996 (Restated Note 4)
<b>Revenues</b>		
Charges against suppliers . . . . . \$	482,899	\$ 581,006
Less: Bargaining agents funding (Note 1) . . . . .	321,960	410,391
	<u>160,939</u>	<u>170,615</u>
Interest on fund balance . . . . .	34,704	37,219
	<u>195,643</u>	<u>207,834</u>
<b>Expenses</b>		
Board member per diems . . . . .	16,800	12,000
Equipment and maintenance . . . . .	100	125
Grants . . . . .	42,796	---
Lease payments - equipment . . . . .	3,084	3,492
Lease payments - office space . . . . .	7,646	7,136
Legal fees . . . . .	2,362	1,545
Other . . . . .	1,022	1,151
Salaries . . . . .	71,319	80,639
Supplies and services . . . . .	3,556	3,987
Travel . . . . .	9,113	8,450
	<u>157,798</u>	<u>118,525</u>
<b>Excess of revenues over expenses . . . . .</b>	<u>37,845</u>	<u>89,309</u>
<b>Fund balance, as previously reported . . . . .</b>	539,160	453,531
<b>Restatement of prior years' revenues (Note 4) . . . . .</b>	---	(3,680)
	<u>539,160</u>	<u>449,851</u>
<b>Fund balance, end of year . . . . . \$</b>	<u><u>577,005</u></u>	<u><u>\$ 539,160</u></u>

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD****Notes to Financial Statements****March 31, 1997****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 generally accepted accounting principles modified by the policy of charging equipment purchases to expense in the year the costs are incurred.

**3. Loan Receivable**

On November 13, 1996 the Board remitted \$25,000 to a wood lot owners organization, as part of an agreement to loan it a total of \$40,000. The balance of the loan (\$15,000) was advanced on May 29, 1997. The loan is non-interest bearing and repayment of \$10,000 is required by March 31, 1998.

**4. Restatement of Prior Years' Revenues**

In May 1997 the Board was notified by a producer that, due to a computer programming error, the volume of wood reported for the period September 1994 to March 1997, upon which Board levies had been paid, was overstated. The producer has indicated that future levies paid to the Board will be reduced by the amount of the overpayment.

These financial statements have been restated retroactively to reflect the above described error. The previously reported balances for 1996 have been adjusted as follows:

Unearned revenue liability - increased . . . . .	\$	(9,902)
Charges against supplies revenue - decreased . . . . .		<u>6,222</u>
Beginning fund balance-decreased . . . . .	\$	<u><u>(3,680)</u></u>

The previously reported excess of revenues over expenses for 1996 decreased by \$6,222.

#### 5. Office Lease Commitment

On October 1, 1994 the Department of Transportation and Public Works entered into a five-year lease agreement for office space on behalf of the Board. The lease agreement requires monthly payments of \$552, which are billed to the Board by the Department of Transportation and Public Works.

#### 6. Pensions

All permanent employees of the Board 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 Board's operating expenses. The Board is not responsible for any unfunded liability with respect to the superannuation fund.

**AUDITORS' REPORT TO THE SHAREHOLDER**

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 1996, and the consolidated statements of earnings and deficit and changes in financial position 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 generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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.

Generally accepted accounting principles require that gains and losses on foreign currency translation of long-term monetary items be deferred and amortized over the term of the related debt. The company follows the policy of recording gains and losses in the year of occurrence. If these amounts had been deferred and amortized net earnings would have decreased by \$3.4 million (1995 -\$7.5 million decrease). Unamortized foreign exchange losses carried forward would be \$3.4 million (1995 - \$6.8 million). In addition, the opening deficit would have been reduced by \$6.8 million (1995 - \$14.3 million).

In our opinion, except for the effect of not deferring and amortizing foreign exchange gains and losses on long-term monetary items, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1996, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne  
Chartered Accountants

Halifax, Nova Scotia  
March 21, 1997



**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEET**

**December 31, 1996**

**ASSETS**

	<b>1996</b>	<b>1995</b>
	(in thousands)	
Oil and gas properties (Note 3) . . . . .	\$ 11,081	\$ 17,308
Receivables and other assets (Note 4) . . . . .	18,426	6,588
Collateral deposits . . . . .	210	1,922
Cash and short-term investments . . . . .	873	1,589
	<u>\$ 30,590</u>	<u>\$ 27,407</u>

**LIABILITIES**

Commercial paper (Note 5) . . . . .	\$ 272,831	\$ 274,304
Long-term borrowing (Note 6) . . . . .	139,351	138,903
Provision for site restoration (Note 7) . . . . .	17,500	17,500
Payables and accruals . . . . .	6,631	8,215
	<u>436,313</u>	<u>438,922</u>

**SHAREHOLDERS' DEFICIENCY**

Capital stock		
Authorized		
40,000 common shares without par value		
Issued and outstanding		
3 common shares . . . . .	1	1
Deficit . . . . .	(405,724)	(411,516)
	<u>(405,723)</u>	<u>(411,515)</u>
	<u>\$ 30,590</u>	<u>\$ 27,407</u>

Future operations (Note 1)

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

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA RESOURCES LIMITED

## Consolidated Statement of Earnings and Deficit

year ended December 31, 1996

	1996	1995
	(in thousands)	
<b>Revenue</b>		
Oil and gas revenue . . . . .	\$ 94,378	\$ 100,763
Royalties . . . . .	1,905	2,341
	<u>92,473</u>	<u>98,422</u>
Loss on sale of oil and gas properties . . . . .	(2,474)	---
Gain on sale of other assets . . . . .	---	2,442
Sundry revenue . . . . .	80	162
	<u>90,079</u>	<u>101,026</u>
<b>Expenses</b>		
Production . . . . .	49,299	56,715
General and administrative . . . . .	1,529	748
Depreciation and depletion . . . . .	6,105	7,388
	<u>56,933</u>	<u>64,851</u>
<b>Earnings before financing cost and income taxes . . . . .</b>		
	33,146	36,175
Financing cost (Note 8) . . . . .	27,047	16,928
Income taxes (recovery) (Note 10) . . . . .	307	(14)
<b>Net earnings . . . . .</b>	<u>\$ 5,792</u>	<u>\$ 19,261</u>
Deficit, beginning of year. . . . .	\$ 411,516	\$ 430,777
Net earnings . . . . .	5,792	19,261
<b>Deficit, end of year. . . . .</b>	<u>\$ 405,724</u>	<u>\$ 411,516</u>

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

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA RESOURCES LIMITED

## Consolidated Statement of Changes in Financial Position

year ended December 31, 1996

	1996	1995
	(in thousands)	
Cash derived from (applied to)		
<b>Operating</b>		
Net earnings . . . . .	\$ 5,792	\$ 19,261
Items not involving cash:		
Depreciation and depletion . . . . .	6,105	7,388
Loss on sale of oil and gas properties . . . . .	2,474	---
Gain on sale of other assets . . . . .	---	(2,442)
	<u>14,371</u>	<u>24,207</u>
Change in non-cash operating working capital items . . . . .	<u>(11,726)</u>	<u>8,710</u>
	<u>2,645</u>	<u>32,917</u>
<b>Financing</b>		
Decrease in commercial paper . . . . .	(1,473)	(31,311)
Increase (decrease) in long-term borrowing . . . . .	448	(3,826)
Repurchase of capital stock by subsidiary . . . . .	---	(100)
	<u>(1,025)</u>	<u>(35,237)</u>
<b>Investing</b>		
Recoveries (expenditures) on oil and gas properties . . . . .	(6,836)	565
Proceeds on sale of oil and gas properties . . . . .	4,500	---
Proceeds on sale of other assets . . . . .	---	2,500
	<u>(2,336)</u>	<u>3,065</u>
Increase (decrease) in cash and short-term investments . . . . .	(716)	745
Cash and short-term investments, beginning of year . . . . .	<u>1,589</u>	<u>844</u>
Cash and short-term investments, end of year . . . . .	<u>\$ 873</u>	<u>\$ 1,589</u>

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

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

December 31, 1996

**1. Future operations**

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Doubts arise due to the company's deficit of \$405.7 million and its commercial paper and long-term borrowing of \$272.8 million and \$139.4 million respectively which would impair the company's ability to continue as a going concern without the support of its shareholder, the Province of Nova Scotia, who has guaranteed the debt.

The shareholder has advertised that the Company and all of its assets are for sale and a conditional memorandum of understanding has been accepted from certain interested parties. The decision to sell the shares of assets requires Cabinet approval and is pending the outcome of an advance tax ruling.

**2. Accounting policies****(a) Basis of presentation**

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. A significant part of the Company's activities are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in these activities.

**(b) Derivative financial instruments**

The Company uses interest rate swap contracts to reduce its exposure to fluctuations in interest rates. These financial instruments are not recognized in the financial statements on inception. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term borrowing.

**(c) Oil and gas properties**

The Company accounts for oil and gas properties in accordance with the Canadian guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of oil and gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues, net of production, site restoration, administration and financing costs.

**(d) Provision for site restoration**

The provision for future removal and site restoration costs for the Nova Scotia offshore is based on current estimates and has been fully charged against income as part of depletion expense.

**(e) Foreign currency translation**

Assets and liabilities denominated in US dollars have been translated to Canadian dollars using the exchange rate on December 31, 1996. Transactions during the year are recorded using the monthly average exchange rate.

Based on a proposed change to generally accepted accounting principles, the Company recognizes gains and losses on foreign currency translation of long-term borrowings in the year of occurrence. Generally accepted accounting principles require foreign exchange gains and losses on long-term monetary items to be deferred and amortized over the term of the related debt.

**(f) Revenue recognition**

Revenue from the oilfields offshore Nova Scotia is recorded at current sales prices once the oil is delivered.

**3. Oil and gas properties**

The Company has a 50% working interest in the Panuke and Cohasset oil fields offshore Nova Scotia which have a net book value of \$10.5 million as at December 31, 1996 (1995 - \$10.0 million). The accumulated depletion of these interests at December 31, 1996 was \$231 million (1995 - \$225 million).

In applying the ceiling test to its oil and gas reserves, the Company used commodity prices as at December 31, 1996 to determine the net recoverable amount from its oil and gas activities. The Company compared this net recoverable amount to the carrying value of the oil and gas properties and has determined that no write-down is required.

**4. Receivable and other assets**

	1996	1995
	(in thousands)	
Accounts receivable - trade . . . . .	\$ 8,161	\$ 422
Inventory in tanker . . . . .	4,359	3,348
Prepaid expenses . . . . .	382	709
Receivable - insurance claim . . . . .	1,650	---
Receivable - J.V. partner . . . . .	3,073	783
Receivable - Offshore Infrastructure Fund . . . . .	760	1,268
Other assets . . . . .	41	58
	<u>\$ 18,426</u>	<u>\$ 6,588</u>

Included in receivable-insurance claims is a settlement of \$838 (1995-nil) that may be subject to an appeal by the liable party.

**5. Commercial paper**

In 1986 the Company established a Euro-Commercial Paper Programme under which it issues short term notes guaranteed by the Province of Nova Scotia, to an aggregate principal amount not exceeding US \$250 million. These notes are denominated in US dollars and the principal balance outstanding at December 31, 1996 was US \$176.0 million (1995 -\$182.0 million). The average coupon rate for issuances in the year was 5.6% (1995- 6.3%). At December 31, 1996, the rate for new issues in the three month term was approximately 5.5 % (1995 - 5.8%).

To support the Euro Commercial Paper Programme, the Company has arranged a credit facility which provides committed bank funding to US \$250 million. The principal balance outstanding at December 31, 1996 was US \$23.8 million (1995 - \$20 million). Repayment of advances is guaranteed by the Province of Nova Scotia.

**6. Long-term borrowing**

On November 14, 1990 the Company borrowed US. \$101.7 million pursuant to a Swiss franc loan agreement and swap transaction. The loan is for 130 million Swiss francs but the swap has the effect of converting the entire transaction to a seven year US dollar loan for the amount received in 1990. Interest is payable semi-annually and principal is repayable in a single amount on November 14, 1997. Subsequent to the November 14, 1990 transactions, a second swap was completed which fixes the interest rate on US \$50 million at 8.91%. The remainder of the loan bears interest at a floating rate, which reprices ever six months at the US dollar LIBOR rate, plus 25 basis points. The floating rate at December 31, 1996 was 5.8% (1995 - 6.0%) while the average floating rate for the year was 5.9% (1995 - 6.4%). The amount outstanding at December 31, 1996 has been adjusted to reflect the exchange rate on that date. Repayment of this loan has been guaranteed by the Province of Nova Scotia.

The loan is included in long-term liabilities as the Company plans to refinance the loan when it matures on November 14, 1997.

**7. Provision for site restoration - measurement uncertainty**

The carrying value of the provision for site restoration costs is based on an abandonment study conducted by an independent third party. The actual costs will be determined when the extent of the site restoration is approved by the Canada - Nova Scotia Offshore Petroleum Board. The Company's share of the cost of site restoration, based on the option chosen, is estimated to range between \$13.9 million and \$18.9 million.

**8. Financing cost**

The Company's debt is denominated in US dollars. Financing costs are a combination of interest and foreign exchange gains or losses recorded for transactions during the year plus the foreign exchange on conversion of debt to Canadian dollars at the statement date. During the year the actual interest expense amounted to \$25.8 million (1995 - \$28.5 million) plus an

accounting recognition of the depreciation in the Canadian dollar from \$1.3652 at January 1, 1996 to \$1.3696 at December 31, 1996 which amounted to \$1.3 million in financing costs (1995- \$11.6 million in financing revenue).

## 9. Financial instruments:

### Risk management activities

The Company operates internationally and has significant exposure to movement in the US dollar and fluctuations in interest rates.

At December 31, 1996 a total of \$412 million (1995 - \$413 million) of liabilities are denominated in US dollars. In addition, all of the oil and gas revenue is subject to fluctuation of US currency.

The Company uses an interest rate swap to reduce the foreign exchange risk on \$50 million US (1995 - \$50 million US) of its long-term borrowings, as described in Note 6 to the financial statement.

The Company has not entered into any foreign exchange contracts or interest rate swap agreements to manage their exposure to foreign currency and interest rate fluctuations on the remainder of their US dollar denominated liabilities.

The Company has not entered into any oil swap or foreign exchange contracts to hedge anticipated sales of crude oil during the year.

### Interest rate risk

At December 31, 1996 the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt amounts to \$3.4 million.

### Foreign exchange risk

For the 1996 fiscal year, the increase or decrease in net earnings for each one cent change in the Canadian dollar, relative to the US dollar, on oil and gas revenue, US denominated liabilities and interest expense amounts to \$4.7 million.

### Concentration of credit risk

All of the Company's accounts receivable-trade are with customers in the oil and gas industry and are subject to normal industry credit risks.

### Fair Values

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

The fair value of the company's long-term borrowings at December 31, 1996 was \$140.2 million compared to a carrying value of \$139.4 million. Fair value has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instruments, discounted at current market rates available to the Company for the same or similar instruments (5.81 %).

**10. Income taxes**

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

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. This subsidiary is a taxable corporation and has approximately \$449 million of deductions available to reduce future taxable income. The tax benefit related to the deductions has not been recognized in these financial statements.



**AUDITOR'S REPORT**

To the Chairman and Members of the  
Nova Scotia Talent Trust

I have examined the statement of financial position of the Nova Scotia Talent Trust as at March 31, 1997 and the statement of revenues, expenses and fund balances 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 the following paragraph, I conducted my audit in accordance with 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 and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues 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 revenues, excess of revenues 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 revenues 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, 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
August 13, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA TALENT TRUST**  
**STATEMENT OF FINANCIAL POSITION**

as at March 31, 1997

	1997	1996
<b>ASSETS</b>		
Current		
Cash . . . . . \$	6,259 \$	4,285
Short-term investments, at cost (Note 2) . . . . .	10,645	10,325
Accrued interest . . . . .	1,086	1,071
Accounts receivable . . . . .	---	528
	17,990	16,209
Long-term investments, at cost (Note 2) . . . . .	20,313	20,000
	\$ 38,303	\$ 36,209

**FUND BALANCES**

Fund Balance - unappropriated . . . . . \$	10,226 \$	9,836
Fund Balance - appropriated (Note 4) . . . . .	28,077	26,373
	\$ 38,303	\$ 36,209

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA TALENT TRUST

## Statement of Revenues, Expenses and Fund Balances

for the year ended March 31, 1997

	1997	1996
<b>Revenues</b>		
Grant - Province of Nova Scotia . . . . .	\$ 50,000	\$ 50,000
Fund-raising activities . . . . .	---	29,446
Interest earned . . . . .	2,108	1,886
	<u>52,108</u>	<u>81,332</u>
<b>Expenses</b>		
Talent Trust grants . . . . .	48,643	54,710
Administration expenses (Note 3) . . . . .	1,371	2,713
	<u>50,014</u>	<u>57,423</u>
<b>Excess of revenues over expenses . . . . .</b>	2,094	23,909
<b>Fund Balance, beginning of period . . . . .</b>	<u>36,209</u>	<u>12,300</u>
<b>Fund Balance, end of period . . . . .</b>	<u>\$ 38,303</u>	<u>\$ 36,209</u>

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA TALENT TRUST

## Notes to Financial Statements

March 31, 1997

**1. Authority**

The Nova Scotia Talent Trust was established pursuant to a special resolution of the Nova Scotia Companies Act. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the visual and performing arts.

**2. Investments**

	Interest Rate	Maturity Date	Cost
(a) Short-Term			
Royal Bank GIC	6.00%	Nov. 01, 1997	\$ 5,645
Royal Bank GIC	6.50%	Sept. 11, 1997	5,000
			<u>\$ 10,645</u>
(b) Long-Term			
Royal Bank GIC	6.75%	Sept. 11, 1998	\$ 5,000
Royal Bank GIC	7.00%	Sept. 13, 1999	5,000
Royal Bank GIC	7.25%	Sept. 11, 2000	5,000
Royal Bank GIC	6.25%	Sept. 11, 2001	5,313
			<u>\$ 20,313</u>

**3. Administrative Expenses**

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Education and Culture on behalf of the Trust.

**4. Trust Equity - Appropriated**

The Board has appropriated \$25,000 of the Trust's equity for purposes of an endowment fund. Each year, the principle and interest will be reinvested until the balance is sufficient to establish an endowment fund. For the period ended March 31, 1997, interest in the amount of \$1,704 was earned on the investments.

**AUDITOR'S REPORT**

To the Members of the Legislative Assembly; and  
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued benefits and deficiency of the Nova Scotia Teachers' Pension Fund as at March 31, 1997 and the 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 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 and deficiency of the Fund as at March 31, 1997 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 16, 1997

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA TEACHERS' PENSION FUND

## Statement of Net Assets Available for Benefits

## and Accrued Pension Benefits and Deficiency

as at March 31, 1997

	1997	1996
	(in thousands)	
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>Assets</b>		
Investments (Note 4) . . . . .	\$ 2,156,380	\$ 1,814,605
Receivable from the Province of Nova Scotia (Note 3) . . . . .	284,409	287,477
Receivable from School Boards . . . . .	124,961	99,240
Contributions receivable		
Employees' . . . . .	2,823	1,849
Employers' . . . . .	5,258	7,616
Accrued income . . . . .	16,710	20,502
Net investment transactions outstanding . . . . .	---	4,075
Other receivable . . . . .	---	10
Cash . . . . .	(47)	475
<b>Total Assets</b> . . . . .	<u>2,590,494</u>	<u>2,235,849</u>
<b>Liabilities</b>		
Net investment transactions outstanding . . . . .	3,123	---
Accounts payable . . . . .	16,525	15,653
<b>Total liabilities</b> . . . . .	<u>19,648</u>	<u>15,653</u>
<b>Net Assets Available for Benefits</b> . . . . .	2,570,846	2,220,196
Actuarial asset value adjustment (Note 5) . . . . .	69,197	75,297
<b>Actuarial value of net assets available for benefits</b> . . . . .	<u>\$ 2,640,043</u>	<u>\$ 2,295,493</u>
<b>ACCRUED PENSION BENEFITS AND DEFICIENCY</b>		
Accrued pension benefits . . . . .	\$ 3,221,996	\$ 2,945,154
Deficiency (Note 6) . . . . .	(581,953)	(649,661)
<b>Accrued pension benefits and deficiency</b> . . . . .	<u>\$ 2,640,043</u>	<u>\$ 2,295,493</u>

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA TEACHERS' PENSION FUND

## Statement of Changes in Net Assets Available for Benefits

for the year ended March 31, 1997

	1997	1996
	(in thousands)	
<b>Increase in Assets</b>		
Investment activities (Note 4) . . . . . \$	350,963	\$ 274,189
Interest on receivable from Province of Nova Scotia (Note 3) . . . . .	22,683	22,914
Interest on receivable from School Boards . . . . .	8,548	6,992
	<u>382,194</u>	<u>304,095</u>
Contributions		
Employers' - matched . . . . .	43,961	44,165
Employees' - matched . . . . .	43,961	44,165
Employers' - unmatched		
- School Boards . . . . .	33,798	31,558
- Province . . . . .	11,917	11,085
Employees' - unmatched . . . . .	931	1,124
Transfers from other pension plans . . . . .	1,276	1,994
	<u>135,844</u>	<u>134,091</u>
Total increase in assets . . . . .	<u>518,038</u>	<u>438,186</u>
<b>Decrease in Assets</b>		
Benefits paid . . . . .	160,882	149,340
Operating expenses (Note 7) . . . . .	4,175	3,167
Refund of contributions and interest . . . . .	1,552	1,468
Transfers to other pension plans . . . . .	779	1,381
Total decrease in assets . . . . .	<u>167,388</u>	<u>155,356</u>
<b>Increase in Net Assets</b> . . . . .	350,650	282,830
<b>Net Assets Available for</b>		
<b>Benefits at Beginning of Year</b> . . . . .	<u>2,220,196</u>	<u>1,937,366</u>
<b>Net Assets Available for</b>		
<b>Benefits at End of Year</b> . . . . . \$	<u>2,570,846</u>	<u>\$ 2,220,196</u>

See accompanying notes to financial statements.

**PROVINCE OF NOVA SCOTIA****NOVA SCOTIA TEACHERS' PENSION FUND****Notes to Financial Statements****March 31, 1997****1. Authority and Description of Plan**

The Teachers' Pension Fund was established by the Teachers' Pension Act. It is the funding vehicle for the Teachers' Pension Plan, a pension plan which covers public school and some community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are contained in the Act and in the Regulations made under the Act.

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 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 Consumers Price Index of Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon meeting any of the following criteria:

- 35 years of service;
- 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; and
- age 65 with two years of service.

On July 22, 1994, the Governor in Council authorized an early retirement program (ERP) for plan members. The program provides up to an additional three years of pensionable service for those who were employed by a school board on June 5, 1994 and who reached or will reach age 52 with an age and service factor of 82 or more between June 5, 1994 and July 31, 1998. The additional cost for each teacher who participates is paid by the employing school board. The cost, based on a present value of \$97,400 as a July 31, 1994, increases by 8% per year for each year of the program.

**2. Summary of Significant Accounting Policies****(a) Basis of Presentation**

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with generally accepted accounting principles.



**(b) 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 unrealized investment income.

**(c) Investments**

- (i) Investments are reported as of the trade date and are stated at market value. 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.
- (ii) The derivative contracts held by the Fund are recorded at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, with the resulting gain or loss being recognized in unrealized investment income.
- (iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$60.9 million (2.4% of Total Assets) as at March 31, 1997.

**3. Agreement to Address Unfunded Liability**

On November 25, 1993 the Teachers' Pension Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Government of Nova Scotia to address the unfunded liability in the Nova Scotia Teachers' Pension Plan.

As part of this agreement the Province assumed responsibility for \$300 million of the unfunded liability. This receivable bears interest at an effective annual rate of 8% compounded semi-annually. Payments made by the Province to the Fund have reduced this outstanding principal to \$284.4 million as at March 31, 1997 with the Fund earning \$22.7 million in interest for the year then ended.

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.

The payment schedules established as a result of these commitments are set out in Schedules A and B respectively of the Teachers' Pension Act.

**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 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 effect of derivative contracts.

	1997			1996		
	Asset	%	Income*	Asset	%	Income*
	(in thousands)					
Money market. . . . .	\$ 233,747	10.8	\$ 6,207	\$ 104,378	5.7	\$ 5,995
Fixed income. . . . .	570,428	26.4	71,827	671,470	37.0	89,112
Equities - Canadian . . . . .	887,760	41.2	182,460	622,493	34.3	93,382
- US . . . . .	217,365	10.1	35,927	205,033	11.3	42,773
- Other foreign . . . . .	256,087	11.9	31,382	206,644	11.4	27,383
Derivatives . . . . .	(9,007)	(0.4)	23,084	4,587	0.3	15,403
Other . . . . .	---	---	76	---	---	141
	<u>\$ 2,156,380</u>	<u>100.0</u>	<u>\$ 350,963</u>	<u>\$ 1,814,605</u>	<u>100.0</u>	<u>\$ 274,189</u>

\*Includes realized gains of \$100.2 million (\$64.2 - 1996) and unrealized gains of \$134.8 million (\$111.0 - 1996).

(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. Foreign currency forwards have been used to manage the foreign currency exposure inherent in the foreign investments. Section (f) of this note provides a summary of these contracts as a March 31, 1997.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 1997. Notional amounts of these derivative contracts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such transactions, but serve as the basis upon which the return from and the market value of, the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal (in thousands)	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value (in thousands)
\$ 41,833	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	\$ (2,224)
37,585	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(1,078)
36,503	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(2,336)
12,429	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(587)
21,240	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(1,470)
21,065	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(1,312)
<u>\$ 170,655</u>					<u>\$ (9,007)</u>

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	1997			1996		
	Asset	%	Income*	Asset	%	Income*
	(in thousands)					
Money market. . . . .	\$ 114,892	5.3	\$ 3,249	\$ 34,274	1.9	\$ 3,257
Fixed income. . . . .	517,928	24.0	69,323	618,970	34.1	86,929
Equities - Canadian . . . . .	1,050,108	48.7	208,684	746,759	41.1	109,605
- US . . . . .	217,365	10.1	37,088	206,496	11.4	44,824
- Other foreign . . . . .	256,087	11.9	32,543	208,106	11.5	29,433
Other . . . . .	---	---	76	---	---	141
	<u>\$ 2,156,380</u>	<u>100.0</u>	<u>\$ 350,963</u>	<u>\$ 1,814,605</u>	<u>100.0</u>	<u>\$ 274,189</u>

\*Includes realized gains of \$100.2 million (\$64.2 - 1996) and unrealized gains of \$134.8 million (\$111.0 - 1996).

(d) 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 assets and liabilities of the Plan.

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 a policy asset mix of approximately 60% equities and 40% fixed income securities. 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. At March 31, 1997 the \$570,428,000 fixed income securities had a modified duration of 4.8 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 4.8%.

(e) 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.

## (f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	Gross Exposure	Net Foreign Currency Hedge (in thousands)	Net Exposure
Germany .....	\$ 22,102	\$ (6,347)	15,755
Japan .....	27,917	(6,722)	21,195
United Kingdom .....	17,077	(5,484)	11,593
United States .....	228,828	38,638	267,466
Other .....	197,295	(20,566)	176,729
Total .....	<u>\$ 493,219</u>	<u>\$ (481)</u>	<u>492,738</u>

## 5. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the following items:

1. Present value of future payments under Schedule B of the Teachers' Pension Act .....	\$ 79,577,000
2. Adjustment of carrying value of Schedule A payments caused by the difference between the valuation discount rate of 8.5% and the interest rate of 8% used to determine Schedule A payments .....	(7,823,000)
3. Adjustment to carrying value of receivable from school boards for the Early Retirement Program caused by the difference between the valuation discount rate of 8.5% and the interest rate of 8% used to determine payments under the program .....	(2,557,000)
Total .....	<u>\$ 69,197,000</u>

## 6. Actuarial Valuation

Actuarial valuations of the Nova Scotia Teachers' Pension Fund are required every three years by the Teachers' Pension Act, and provide an estimate of the accrued pension benefits (fund liabilities) as at valuation date, calculated on the basis of various assumptions with respect to pension costs and rates of return on investments. The calculations are updated in intervaluation years. The last full valuation of the Teachers' Pension Fund was carried out by the Plan's consulting actuary, Sobeco, Ernst & Young at July 31, 1994 and the latest update, also completed by Sobeco, Ernst & Young, was taken to July 31, 1996.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected 5 year average salary at the expected date of retirement. The major economic and demographic assumptions used in the last full valuation and the update were as follows:

Inflation	4% per annum
Average Salary Increase	Minus 3% for the first year 0% for the second and third years 0.75% real thereafter
Real Rate of Return on Investments	4.5% per annum
Average Retirement Age	60% will retire at earliest age for an unreduced pension 40% will retire at age 65 or with 35 years of service

The last full valuation, as at July 31, 1994, indicated that the Plan had a unfunded liability of \$824 million. The update, projected to March 31, 1997, indicated an unfunded liability of \$582 million. The main reason for this improvement of \$242 million in actuarial position is favourable experience relative to actuarial assumptions in rates of return on investments and indexing of pension benefits.

## 7. 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.

	1997	1996
	(in thousands)	
Investment management fees . . . . .	\$ 3,486	\$ 2,282
Professional services . . . . .	94	154
Salaries . . . . .	386	436
Supplies and services . . . . .	90	133
Travel . . . . .	29	24
Other . . . . .	90	138
	<u>\$ 4,175</u>	<u>\$ 3,167</u>

**AUDITORS' REPORT**

To the Chair and Members of the  
Nova Scotia Utility and Review Board

We have audited the balance sheet of Nova Scotia Utility and Review Board as at March 31, 1997, and the statements of operations, accumulated surplus, and changes in financial position 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 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, 1997, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Doane Raymond  
Chartered Accountants

Halifax, Nova Scotia  
May 23, 1997

## NOVA SCOTIA UTILITY AND REVIEW BOARD

## BALANCE SHEET

March 31, 1997

## ASSETS

	1997	1996
<b>Current</b>		
Cash . . . . . \$	22,138 \$	1,196
Short-term investments		
Board operations . . . . .	693,096	734,184
War Service pension . . . . .	181,639	193,443
Accounts receivable (Note 4) . . . . .	83,618	77,875
Prepays . . . . .	6,724	7,499
Inventory (Note 5) . . . . .	4,566	5,989
	<u>\$ 991,781</u>	<u>\$ 1,020,186</u>

## LIABILITIES

<b>Current</b>		
Payables and accruals . . . . . \$	<u>136,306</u>	<u>\$ 77,790</u>
<b>Long-term</b>		
War Service pension liability (Note 6) . . . . .	181,639	193,443
Public service award liability (Note 7) . . . . .	113,095	74,412
Advances for working capital (Note 8) . . . . .	125,000	125,000
	<u>419,734</u>	<u>392,855</u>
	<u>556,040</u>	<u>470,645</u>
<b>Surplus (Note 2)</b>		
Surplus - Province of Nova Scotia . . . . .	328,430	417,422
Surplus - Utilities . . . . .	107,311	132,119
	<u>435,741</u>	<u>549,541</u>
	<u>\$ 991,781</u>	<u>\$ 1,020,186</u>

Commitments (Note 10)

See accompanying notes to the financial statements.

## NOVA SCOTIA UTILITY AND REVIEW BOARD

## Statement of Operations

year ended March 31, 1997

	1997	1996
<b>Revenue</b>		
Grant from the Province of Nova Scotia (Note 2) . . . . .	\$ 2,078,549	\$ 2,097,219
Assessments to utilities (Note 2) . . . . .	580,685	501,672
Recoveries (Note 9) . . . . .	22,958	364,215
Interest . . . . .	32,208	40,183
	<u>2,714,400</u>	<u>3,003,289</u>
<b>Expenses</b>		
Salaries, wages and benefits . . . . .	1,837,893	1,792,779
Rent and business taxes (Note 10) . . . . .	344,140	340,411
Travel . . . . .	188,077	171,329
Leasehold improvements . . . . .	97,733	---
Equipment (Note 3) . . . . .	71,034	44,367
Consulting and legal fees . . . . .	43,184	367,484
Public service awards . . . . .	38,683	34,304
Dues and fees . . . . .	34,354	23,697
Office supplies and services . . . . .	34,004	30,536
Telephone and facsimile . . . . .	32,792	31,354
Transcribing and printing . . . . .	29,166	49,249
Maintenance . . . . .	25,887	14,940
Books and reports . . . . .	17,606	14,089
Advertising . . . . .	9,925	---
Sundry expenses . . . . .	8,327	5,378
Staff training and development . . . . .	7,943	12,664
Postage and couriers . . . . .	7,452	8,212
	<u>2,828,200</u>	<u>2,940,793</u>
<b>Operating (deficit) surplus for the year . . . . .</b>	<b>\$ <u>(113,800)</u></b>	<b>\$ <u>62,496</u></b>

See accompanying notes to the financial statements.



## NOVA SCOTIA UTILITY AND REVIEW BOARD

## Statement of Accumulated Surplus

year ended March 31, 1997

	<b>1997</b>		
	<b>Province of Nova Scotia</b>	<b>Utilities</b>	<b>Total</b>
Balance, beginning of year . . . . . \$	417,422 \$	132,119 \$	549,541
Operating deficit for year . . . . .	(88,992)	(24,808)	(113,800)
Balance, end of year . . . . . \$	<u>328,430 \$</u>	<u>107,311 \$</u>	<u>435,741</u>

	<b>1996</b>		
	<b>Province of Nova Scotia</b>	<b>Utilities</b>	<b>Total</b>
Balance, beginning of year . . . . . \$	366,988 \$	120,057 \$	487,045
Operating surplus for year . . . . .	50,434	12,062	62,496
Balance, end of year . . . . . \$	<u>417,422 \$</u>	<u>132,119 \$</u>	<u>549,541</u>

See accompanying notes to the financial statements.

## NOVA SCOTIA UTILITY AND REVIEW BOARD

## Statement of Changes in Financial Position

year ended March 31, 1997

	1997	1996
<b>Cash derived from (applied to)</b>		
<b>Operating</b>		
Operating (deficit) surplus . . . . . \$	(113,800)	\$ 62,496
Increase in accounts receivable . . . . .	(5,743)	(39,586)
Increase (decrease) in payables and accruals . . . . .	58,516	(43,194)
Decrease (increase) in prepaids . . . . .	775	(7,499)
Decrease (increase) in inventory . . . . .	1,423	(5,989)
	<u>(58,829)</u>	<u>(33,772)</u>
<b>Investing and financing</b>		
Decrease (increase) in short-term investments . . . . .	52,892	(311,758)
Decrease in War Service pension liability . . . . .	(11,804)	(6,158)
Increase in public service award liability . . . . .	38,683	4,060
	<u>79,771</u>	<u>(313,856)</u>
<b>Increase (decrease) in cash . . . . .</b>	<b>20,942</b>	<b>(347,628)</b>
Cash, beginning of year . . . . .	1,196	348,824
Cash, end of year . . . . . \$	<u>22,138</u>	<u>\$ 1,196</u>

See accompanying notes to the financial statements.

## NOVA SCOTIA UTILITY AND REVIEW BOARD

## Notes to the Financial Statements

March 31, 1997

**1. Incorporation**

The Nova Scotia Utility and Review 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 Board 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(1) 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. 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**

These financial statements have been prepared in accordance with generally accepted accounting principles. The Board charges fixed asset acquisitions to expense in the year of purchase which is permitted under Public Sector Accounting Principles.

Short-term investments are valued at cost plus interest accrued to year end, which approximates market value.

**4. Accounts Receivable**

	1997	1996
Province of Nova Scotia . . . . .	\$ 77,033	\$ 11,795
Public Utilities . . . . .	---	53,947
Other . . . . .	6,585	12,133
	<u>\$ 83,618</u>	<u>\$ 77,875</u>

**5. Inventory**

Inventory consists of Daily Bus Inspection books held for resale. Cost is determined using the first-in, first-out method of valuation.

**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. The Board is not responsible for any unfunded liability.

**War Service Pension Liability**

Employees of the Board are entitled to purchase service credits for certain years of war service. Increases in an employee's pension as a result of the purchase of war service credits are the responsibility of the Board and are billed to the Board as pensions are paid. Employee pension contributions are used to defray future obligations for war service credits. The Board of Commissioners of Public Utilities, one of the predecessor boards, transferred its war service liability to the Nova Scotia Utility and Review Board on consolidation.

The status of the liability account is as follows:

	<b>1997</b>	<b>1996</b>
Employee contributions . . . . . \$	44,311 \$	44,311
Accumulated interest . . . . .	111,836	103,371
Amortization of unfunded liability. . . . .	140,580	140,580
	<u>296,727</u>	<u>288,262</u>
Less: pension payments to date . . . . .	115,088	94,819
	<u>\$ 181,639</u>	<u>\$ 193,443</u>

**7. Public Service Award Liability**

The Board follows the provision of the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

In addition to an annual general provision of approximately 1% of salary expenditures to defray future obligations for public service awards, the Board has established a specific liability for employees who are nearing retirement.

**8. 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:

	<b>1997</b>	<b>1996</b>
Province of Nova Scotia . . . . . \$	<u>125,000</u>	<u>125,000</u>

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.

#### 9. Recoveries

Consultants are engaged by the Board pursuant to the Public Utilities Act to provide advice related to utility administration and expert evidence during hearings. Consulting fees for specific hearings may, in some cases, be recovered directly from the public utilities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

#### 10. Commitments

The Nova Scotia Utility and Review Board has assumed the lease of the former Board of Commissioners of Public Utilities. The lease, which expires October 31, 1999, calls for the payment of a base rent plus the Board's portion of common costs such as maintenance, power, water and property taxes.

The Board has renegotiated the lease for a 1,600 square foot portion of its existing premises, 1,000 square feet of which has been sublet to the Department of Transportation and Public Works to be occupied by the Nova Scotia Police Commission. Amendments to the lease came into force on November 1, 1994.

Revised minimum lease payments by fiscal year for the remaining lease term, not including common costs, are as follows:

1998 .....	\$	213,048
1999 .....		213,048
2000 .....		<u>124,278</u>
	\$	<u><u>550,374</u></u>

#### 11. Financial Instruments

##### Financial assets

The fair values of cash, short term investments and accounts receivable approximate their carrying amounts.

##### Financial liabilities

The fair value of current accounts payable and accruals approximate their carrying amounts. It was not practicable to determine the fair values of the public service award liability, the War Service pension liability and advances for working capital. The principal characteristics of these financial liabilities are disclosed in notes 6, 7 and 8.

**AUDITOR'S REPORT**

To the Minister of Agriculture and Marketing; and  
To the Chair and Members of the Provincial Community Pasture Board

I have audited the balance sheet of the Provincial Community Pasture Board as at March 31, 1997 and the statement of income and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Board as at March 31, 1997 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 23, 1997

**PROVINCE OF NOVA SCOTIA**  
**PROVINCIAL COMMUNITY PASTURE BOARD**

**BALANCE SHEET**

as at March 31, 1997

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Accounts receivable .....	\$ 5,641	\$ 4,288
<b>Livestock</b> - at lower of cost and net realizable value (cost - 1997 \$29,150; 1996 \$29,750) (Note 2) .....	14,000	17,600
	\$ 19,641	\$ 21,888

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Accounts payable .....	\$ 30	\$ 169
<b>Retained Earnings</b> .....	19,611	21,719
	\$ 19,641	\$ 21,888

**PROVINCE OF NOVA SCOTIA**  
**PROVINCIAL COMMUNITY PASTURE BOARD**

**Statement of Income and Retained Earnings**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
Revenues (Schedule A) . . . . .	\$ 67,256	\$ 69,136
Expenses (Schedule A) . . . . .	<u>154,700</u>	<u>162,032</u>
Net loss on pasture operations . . . . .	87,444	92,896
Loss on livestock (Note 3) . . . . .	<u>5,966</u>	<u>5,316</u>
Net loss before government contribution . . . . .	93,410	98,212
Contribution by the Province of Nova Scotia . . . . .	<u>91,302</u>	<u>101,539</u>
<b>Net (loss) income.</b> . . . . .	(2,108)	3,327
<b>Retained earnings, beginning of year</b> . . . . .	<u>21,719</u>	<u>18,392</u>
<b>Retained earnings, end of year</b> . . . . .	<u>\$ 19,611</u>	<u>\$ 21,719</u>



## PROVINCE OF NOVA SCOTIA

## PROVINCIAL COMMUNITY PASTURE BOARD

## Notes to Financial Statements

March 31, 1997

**1. Authority**

The Provincial Community Pasture Board was established pursuant to Section 176(1) of the Agriculture and Marketing Act. The purpose of the Board is to establish, conduct and operate community pastures at such locations as the Board deems advisable.

**2. Accounting Policies**

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging land, building and equipment acquisitions to expense in the year of purchase.

Livestock is comprised of breeding bulls on-hand at the end of the fiscal year. The bulls are valued at the lower of cost and net realizable value. The carrying-cost of bulls sold and any write-down of bulls to net realizable value is charged to expenses.

Further, under Section 183 of the Agriculture and Marketing Act, the administration costs of the Board are expenses of the Department of Agriculture and Marketing, and are not reflected in these financial statements.

**3. Loss on Livestock**

	1997	1996
Sale of bulls . . . . .	\$ 2,933	\$ 1,424
Carrying-cost of bulls sold . . . . .	<u>4,400</u>	<u>2,400</u>
Loss on bulls sold . . . . .	1,467	976
Write-down of bulls to net realizable value . . . . .	3,950	3,750
Loss of bull due to illness . . . . .	<u>549</u>	<u>590</u>
	<u>\$ 5,966</u>	<u>\$ 5,316</u>

## PROVINCE OF NOVA SCOTIA

## PROVINCIAL COMMUNITY PASTURE BOARD

## Pasture Operations

for the year ended March 31, 1997

	Cape Mabou	Cape John	Other	Totals	
				1997	1996
<b>Revenues</b>					
Pasture fees . . . . .	\$ 25,782	\$ 33,534	\$ ---	\$ 59,316	\$ 61,196
Pasture rentals . . . . .	---	---	440	440	440
Sale of vehicle . . . . .	---	---	7,500	7,500	7,500
	<u>25,782</u>	<u>33,534</u>	<u>7,940</u>	<u>67,256</u>	<u>69,136</u>
<b>Expenses</b>					
Bulls feed and care . . . . .	3,368	5,113	---	8,481	9,254
Electricity . . . . .	161	120	---	281	365
Equipment maintenance . . . . .	1,237	1,958	---	3,195	1,855
Equipment purchases . . . . .	---	---	22,373	22,373	28,500
Fencing . . . . .	1,190	419	---	1,609	1,895
Fertilizer and lime . . . . .	9,450	14,784	---	24,234	28,484
Insurance . . . . .	814	814	---	1,628	2,040
Miscellaneous . . . . .	400	800	---	1,200	2,200
Operating assistance . . . . .	---	---	4,100	4,100	4,100
Supplies and services . . . . .	16,237	16,746	36	33,019	27,679
Wages . . . . .	26,641	27,939	---	54,580	55,660
	<u>59,498</u>	<u>68,693</u>	<u>26,509</u>	<u>154,700</u>	<u>162,032</u>
<b>Net loss on pasture operations . . . . .</b>	<u>\$ 33,716</u>	<u>\$ 35,159</u>	<u>\$ 18,569</u>	<u>\$ 87,444</u>	<u>\$ 92,896</u>

## PROVINCE OF NOVA SCOTIA

## PROVINCIAL RESORT HOTELS

## Statement of User Fees and Expense

for the year ended March 31, 1997

	Pines Resort	Keltic Lodge	Liscombe Lodge	Totals	
				1997	1996
<b>User Fees</b>					
Rooms . . . . .	\$ 1,292,226	\$ 1,385,965	\$ 583,888	\$ 3,262,079	\$ 3,257,820
Food . . . . .	999,718	1,246,170	515,790	2,761,678	2,791,163
Beverage . . . . .	202,977	212,158	65,635	480,770	470,599
Other . . . . .	445,547	272,038	134,237	851,822	587,045
	<u>2,940,468</u>	<u>3,116,331</u>	<u>1,299,550</u>	<u>7,356,349</u>	<u>7,106,627</u>
<b>Expense</b>					
Salaries & Wages . . . . .	1,315,317	1,453,697	658,863	3,427,877	3,282,236
Travel . . . . .	18,860	14,216	3,051	36,127	23,990
Supplies & Services . . . . .	1,321,556	1,288,238	542,327	3,152,121	2,926,418
Other . . . . .	66,903	364,643	132,046	563,592	524,296
	<u>2,722,636</u>	<u>3,120,794</u>	<u>1,336,287</u>	<u>7,179,717</u>	<u>6,756,940</u>
<b>Operating</b>					
Profit . . . . .	\$ <u>217,832</u>	\$ <u>(4,463)</u>	\$ <u>(36,737)</u>	\$ <u>176,632</u>	\$ <u>349,687</u>

Note: This financial statement reflects user fees and current expenditures of the Provincial Resorts budgeted under the Department of Economic Development and Tourism. \$ 652,639 in furniture and equipment purchases, is included in current expenditures.

The following is not included in this statement: \$1,092,601 in capital expenditures for construction, renovation and upgrading of facilities under Public Works and Special Projects (details of these expenditures are included in Volume 1 of the Public Accounts of the Province of Nova Scotia); \$299,717 for golf course maintenance at the Pines Resort accounted for by the Department of Transportation and Public Works; \$206,693 in maintenance costs accounted for by the Department of Transportation and Public Works.

**AUDITOR'S REPORT**

To the Board of Trustees of  
The Public Archives of Nova Scotia

We have audited the statements of revenue and expenses and surplus of The Public Archives of Nova Scotia for the year ended March 31, 1997. These financial statements are the responsibility of the Archives' 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 revenue and expenses and surplus of the Archives for the year ended March 31, 1997 in accordance with generally accepted accounting principles.

COOPERS AND LYBRAND  
Chartered Accountants

Halifax, Nova Scotia  
August 29, 1997

**PROVINCE OF NOVA SCOTIA**  
**THE PUBLIC ARCHIVES OF NOVA SCOTIA**

**STATEMENT OF SURPLUS**  
**for the year ended March 31, 1997**

	1997	1996
Surplus - beginning of year .....	\$ 48,236	\$ 66,558
Excess of revenue over expenses (expenses over revenue) for the year .....	<u>16,394</u>	<u>(18,322)</u>
Surplus - end of year .....	<u>\$ 64,630</u>	<u>\$ 48,236</u>

**Represented by:**

Cash- unrestricted .....	\$ 61,630	\$ 48,236
Cash- restricted (Note 4) .....	<u>3,000</u>	<u>---</u>
	<u>\$ 64,630</u>	<u>\$ 48,236</u>

**PROVINCE OF NOVA SCOTIA**  
**THE PUBLIC ARCHIVES OF NOVA SCOTIA**

**Statement of Revenue and Expenses**

**for the year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Revenue</b>		
Government of Nova Scotia (salaries and benefits) . . . . .	\$ 1,113,867	\$ 1,069,670
Government of Nova Scotia (operating grant) . . . . .	297,214	354,703
Other funding . . . . .	78,312	12,000
Sales, publication, etc. . . . .	25,214	24,853
Interest . . . . .	2,045	5,198
	<u>1,516,652</u>	<u>1,466,424</u>
<b>Expenses</b>		
Acquisitions . . . . .	9,748	---
Building maintenance . . . . .	38,186	50,778
Conferences and seminars . . . . .	4,640	4,105
Electricity . . . . .	78,554	75,997
Equipment . . . . .	1,219	27,992
Equipment repair and maintenance . . . . .	18,350	21,239
Freight and express . . . . .	2,420	3,308
General operating . . . . .	31,462	61,781
Heating fuel . . . . .	22,860	17,528
Membership dues . . . . .	1,283	1,467
Miscellaneous . . . . .	3,654	2,274
Other services . . . . .	52,368	43,678
Postage . . . . .	5,048	5,262
Printing and stationery . . . . .	26,166	30,502
Professional services . . . . .	32,735	4,903
Rentals . . . . .	1,161	1,001
Salaries and benefits . . . . .	1,113,867	1,069,670
Security . . . . .	9,742	8,180
Staff training . . . . .	1,255	3,574
Subscriptions and periodicals . . . . .	9,654	11,559
Telecommunications . . . . .	23,602	33,712
Travel . . . . .	8,201	2,236
Water . . . . .	4,083	4,000
	<u>1,500,258</u>	<u>1,484,746</u>
<b>Excess of revenue over expenses (expenses</b>		
<b>over revenue) for the year . . . . .</b>	<u>\$ 16,394</u>	<u>\$ (18,322)</u>

**PROVINCE OF NOVA SCOTIA**  
**THE PUBLIC ARCHIVES OF NOVA SCOTIA**

**Notes to the Financial Statements**

**for year ended March 31, 1997**

**1. Status and Nature of Activities**

The Archives is an agency incorporated by Act of the Legislature of the Province of Nova Scotia, and operates an archives and research centre.

**2. Content of Financial Statements**

These financial statements include only the operating revenue and expenses of The Public Archives of Nova Scotia, and not those of any specific funds administered by the Public Archives of Nova Scotia.

**3. Significant Accounting Policies**

The expenses are stated on a cash basis and therefore accrued liabilities for expenses are not recognized in these financial statements.

Capital expenditures are charged to expenses as incurred.

**4. Restricted Cash**

Restricted cash represents funds segregated by the Board of Trustees to be used for the purchase of equipment in the 1997-1998 fiscal year.

**5. Related Party Transactions**

The Archives occupies a building at no charge that is owned by the Province of Nova Scotia.

**6. Commitment**

During the year, the Archives entered into a contract with an energy management firm. Under the terms of this contract, the Archives is committed to paying fees relating to annual energy savings which resulted from energy performance improvements made under the contract.

The payments required over the next five years, based on current information, are as follows:

Year ending March 31,	1998	\$	25,399
	1999	\$	25,399
	2000	\$	25,399
	2001	\$	25,399
	2002	\$	25,399

**7. Subsequent Event**

Subsequent to year-end, new legislation was drafted which would merge the Public Archives of Nova Scotia with Nova Scotia Records Management. The effect of this will be an increase in the Archives' level of provincial government funding and its corresponding staff complement. The legislation is expected to be introduced as soon as possible, with subsequent passage anticipated during the 1997-1998 fiscal year.



**AUDITOR'S REPORT**

To the Members of the Legislative Assembly; and  
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits and surplus of the Nova Scotia Public Service Superannuation Fund as at March 31, 1997 and the statement 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 these financial statements based on my audit.

I conducted my audit in accordance with 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 and surplus of the Fund as at March 31, 1997 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
June 16, 1997

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND**

**Statement of Net Assets Available for Benefits**

**and Accrued Pension Benefits and Surplus**

**as at March 31, 1997**

	<b>1997</b>	<b>1996</b>
	(in thousands)	
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>Assets</b>		
Investments (Note 3) . . . . .	\$ 2,250,328	\$ 1,940,274
Contributions receivable		
Employees' . . . . .	2,189	2,226
Employers' . . . . .	2,181	2,141
Accrued income . . . . .	15,903	18,831
Net investment transactions outstanding . . . . .	---	4,274
Other receivables . . . . .	---	10
Cash . . . . .	348	597
<b>Total Assets</b> . . . . .	<b>2,270,949</b>	<b>1,968,353</b>
<b>Liabilities</b>		
Net investment transactions outstanding . . . . .	3,918	---
Accounts payable . . . . .	12,016	10,356
<b>Total Liabilities</b> . . . . .	<b>15,934</b>	<b>10,356</b>
<b>Net Assets Available for Benefits</b> . . . . .	<b>2,255,015</b>	<b>1,957,997</b>
Actuarial asset value adjustment (Note 4) . . . . .	1,264	1,244
<b>Actuarial value of net assets available for benefits</b> . . . . .	<b>\$ 2,256,279</b>	<b>\$ 1,959,241</b>
<b>ACCRUED PENSION BENEFITS AND SURPLUS</b>		
Accrued pension benefits . . . . .	\$ 2,123,100	\$ 1,953,991
Surplus (Note 5) . . . . .	133,179	5,250
<b>Accrued pension benefits and surplus</b> . . . . .	<b>\$ 2,256,279</b>	<b>\$ 1,959,241</b>

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

## Statement of Changes in Net Assets Available for Benefits

for the year ended March 31, 1997

	1997	1996
	(in thousands)	
<b>Increase in Assets</b>		
Investment activities (Note 3) . . . . .	\$ 359,152	\$ 289,462
Contributions		
Employers' - matched . . . . .	28,618	28,455
Employees' - matched . . . . .	28,618	28,455
Employees' - unmatched . . . . .	239	190
Interest on the purchase of prior years' service . . . . .	1,351	1,427
Transfers from other pension plans . . . . .	1,623	2,845
	<u>60,449</u>	<u>61,372</u>
Total increase in assets . . . . .	<u>419,601</u>	<u>350,834</u>
<b>Decrease in Assets</b>		
Benefits paid . . . . .	110,321	101,203
Operating expenses (Note 6) . . . . .	3,898	2,968
Refund of contributions and interest . . . . .	1,222	1,128
Transfers to other pension plans . . . . .	7,142	4,946
Total decrease in assets . . . . .	<u>122,583</u>	<u>110,245</u>
<b>Increase in Net Assets</b> . . . . .	297,018	240,589
<b>Net Assets Available for Benefits</b>		
<b>at Beginning of Year</b> . . . . .	<u>1,957,997</u>	<u>1,717,408</u>
<b>Net Assets Available for Benefits</b>		
<b>at End of Year</b> . . . . .	<u>\$ 2,255,015</u>	<u>\$ 1,957,997</u>

See accompanying notes to financial statements.

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND**

**Notes to Financial Statements**

**March 31, 1997**

**1. Authority and Description of Plan**

The Public Service Superannuation Fund was established by the Public Service Superannuation Act. It is the funding vehicle for the Public Service Superannuation 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 contained in the Act and in the Regulations made under the Act.

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 5.4% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 7% 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 meeting any of the following criteria:

- age of 50 with an age plus pensionable service factor of 80 - "Rule of 80" (active members only);
- age 55 with two years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85" (deferred pensioners);
- age 60 with two years of service; and
- age 65

On February 8, 1994, the Governor in Council authorized an Early Retirement Incentive Program (ERIP) for Plan members. The program provides up to an additional five years of pensionable service for those meeting the "Rule of 80" but who are less than 65 years of age and have less than 35 years of pensionable service, between April 1, 1994 and March 31, 1998. The additional cost for each person who participates in the ERIP is paid by the Province from the Consolidated Fund or by the participating employer. On April 10, 1996, the Governor in Council amended the ERIP to provide up to an additional two years of pensionable service for those who were at least 60 years of age and had a minimum of 10 years of pensionable service. This program also expires on March 31, 1998 and is funded by the Province and participating employers.

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 employees and are not paid from the pension fund. These payments amounted to \$12,437,000 for the year ended March 31, 1997 (1996-\$11,150,000).

## 2. Summary of Significant Account Policies

### (a) Basis of Presentation

These 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 generally accepted accounting principles.

### (b) 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 unrealized investment income.

### (c) Investments

- (i) Investments are reported as of the trade date and are stated at market value. 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.
- (ii) The derivative contracts held by the Fund are recorded at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, with the resulting gains being recognized in unrealized investment income.
- (iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$88.0 million (3.9% of Total Assets) as at March 31, 1997.

## 3. 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 effect of derivative contracts.

	1997			1996		
	Asset	%	Income*	Asset	%	Income*
	(in thousands)					
Money market. . . . .	\$ 220,830	9.8	\$ 6,795	\$ 143,434	7.4	\$ 6,471
Fixed income. . . . .	775,401	34.5	98,744	833,683	43.0	104,482
Equities - Canadian . .	826,680	36.7	169,965	581,136	29.9	89,774
- US . . . . .	209,462	9.3	34,272	193,803	10.0	49,828
- Other foreign . . . . .	227,237	10.1	27,824	185,086	9.5	26,563
Derivatives . . . . .	(9,282)	(0.4)	21,481	3,132	0.2	12,193
Other . . . . .	---	---	71	---	---	151
	<u>\$ 2,250,328</u>	<u>100</u>	<u>\$ 359,152</u>	<u>\$ 1,940,274</u>	<u>100</u>	<u>\$ 289,462</u>

\* Includes realized gains of \$93.6 million (\$86.1 - 1996) and unrealized gains of \$137.1 million (\$97.7 - 1996)

(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. Foreign currency forwards have been used to manage the foreign currency exposure inherent in the foreign investments. Section (f) of this note provides a summary of these contracts as at March 31, 1997.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 1997. Notional amounts of derivative contracts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such transactions but serve as the basis upon which the return from and market value of, the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal	Original Term	Credit Rating of Counter- party	Equity Index (in thousands)	BA Index	Market Value
\$ 37,095	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	\$ (2,694)
30,751	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(882)
36,503	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(2,336)
12,429	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(587)
21,240	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(1,470)
21,065	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(1,312)
<u>\$ 159,083</u>					<u>\$ (9,281)</u>

- (c) Market value of investments and related income after allocating the effect of derivative contracts.

	1997			1996		
	Assets	%	Income*	Asset	%	Income*
	(in thousands)					
Money market . . . . .	\$ 108,754	4.8	\$ 4,013	\$ 76,923	4.0	\$ 4,421
Fixed income . . . . .	727,901	32.4	96,465	786,183	40.5	102,448
Equities- Canadian . . . . .	976,974	43.4	194,185	695,354	35.8	101,949
- US . . . . .	209,462	9.3	35,433	195,266	10.1	51,879
- Other foreign . . . . .	227,237	10.1	28,985	186,548	9.6	28,614
Other . . . . .	---	---	71	---	---	151
	<u>\$ 2,250,328</u>	<u>100</u>	<u>\$ 359,152</u>	<u>\$ 1,940,274</u>	<u>100</u>	<u>\$ 289,462</u>

\* Includes realized gains of \$93.6 million (\$86.1 - 1996) and unrealized gains of \$137.1 million (\$97.7 - 1996).

- (d) 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 assets and liabilities of the Plan.

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 a policy asset mix of approximately 60% equities and 40% fixed income securities. 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. At March 31, 1997 the \$775,401,000 fixed income securities had a modified duration of 5.5 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 5.5 %.

- (e) 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.

## (f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	Gross Exposure	Net Foreign Currency Hedge (in thousands)	Net Exposure
Germany .....	\$ 19,713	\$ (5,211)	\$ 14,502
Japan .....	25,474	(5,620)	19,854
United Kingdom .....	15,200	(4,397)	10,803
United States .....	218,976	32,000	250,976
Other .....	174,499	(17,165)	157,334
Total .....	<u>\$ 453,862</u>	<u>\$ (393)</u>	<u>\$ 453,469</u>

**4. Actuarial Asset Value Adjustment**

The actuarial asset value adjustment of \$1,264,000 represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

**5. Actuarial Valuation**

Actuarial valuations of the Nova Scotia Public Service Superannuation Fund are carried out at least every three years and provide an estimate of the accrued pension benefits (fund liabilities) at the valuation date, calculated on the basis of various assumptions with respect to pension costs and rates of return on investments. The calculations are updated in intervaluation years. The last full valuation of the Public Service Superannuation Fund was carried out by the Plan's consulting actuary, Morneau, Coopers & Lybrand at March 31, 1995 and the last update, also completed by Morneau, Coopers & Lybrand, was taken to December 31, 1996.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected 5 year average salary at the expected date of retirement (including an assumption that 92% of eligible members will elect to retire early under the terms of the Early Retirement Incentive Program in effect until March 31, 1998). The major economic and demographic assumptions used in the last full valuation and the update were as follows:

Inflation	3.5% per annum
Average Salary Increase	0.5% real plus 1.0% merit increases
Real Rate of Return on Investment	4.5% per annum
Average Retirement Age	61 years (used in March 31, 1995 valuation) 60 years (used in December 31, 1996 update)



The last full valuation, as at March 31, 1995, indicated that the Plan had an unfunded liability of \$135 million. The update, projected to March 31, 1997 indicated a surplus of \$133 million. The main reason for the improvement in actuarial position is favourable experience relative to actuarial assumptions in rates of return on investments and indexing of pension benefits.

## 6. 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 the operating expenses.

	<b>1997</b>	<b>1996</b>
	(in thousands)	
Investment management fees . . . . .	\$ 3,220	\$ 2,397
Professional services . . . . .	81	75
Salaries . . . . .	471	397
Supplies and services . . . . .	62	19
Travel . . . . .	30	16
Other . . . . .	34	64
	<u>\$ 3,898</u>	<u>\$ 2,968</u>

**AUDITOR'S REPORT**

To the Minister of Justice; and  
To the Public Trustee

I have audited the balance sheet of the Public Trustee as at March 31, 1997 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 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 actually came under the administration of 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 the assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee as at March 31, 1997 and the continuity of assets for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.  
Auditor General

Halifax, Nova Scotia  
July 29, 1997

## PROVINCE OF NOVA SCOTIA

## PUBLIC TRUSTEE

## BALANCE SHEET

as at March 31, 1997

	1997	1996
<b>ASSETS</b>		
<b>Estates and Trusts</b>		
Cash .....	\$ 297,231	\$ 404,454
Securities, real estate and other assets .....	13,942,076	12,438,855
Common Fund securities (Note 4) .....	<u>935,000</u>	<u>904,042</u>
	15,174,307	13,747,351
<b>Special Reserve Fund (Note 5)</b>		
Cash and securities .....	971,184	903,346
	<u>\$ 16,145,491</u>	<u>\$ 14,650,697</u>
<b>LIABILITIES</b>		
<b>Estates and Trusts</b>		
Estates and trusts balances .....	<u>\$ 15,174,307</u>	<u>\$ 13,747,351</u>
<b>Special Reserve Fund (Note 5)</b>		
Restricted funds .....	915,943	848,716
Funds transferable to Province of Nova Scotia .....	<u>55,241</u>	<u>54,630</u>
	971,184	903,346
	<u>\$ 16,145,491</u>	<u>\$ 14,650,697</u>

## PROVINCE OF NOVA SCOTIA

## PUBLIC TRUSTEE

## Statement of Continuity of Assets

for the year ended March 31, 1997

	Estates and Trusts	Special Reserve Fund	Fees Earned	1997 Total	1996 Total
Balance, beginning of year . . . . .	\$ 13,747,351	\$ 903,346	\$ ---	\$ 14,650,697	\$ 13,650,311
<i>Add:</i>					
Assets acquired during the year . . . . .	7,984,126	---	---	7,984,126	7,800,177
Income earned . . . . .	710,625	---	---	710,625	841,943
Fees earned . . . . .	---	---	326,404	326,404	333,565
Interest earned on Special Reserve Fund investments . . . . .	---	55,241	---	55,241	54,630
Excess interest transferred from Common Fund . . . . .	---	67,227	---	67,227	90,430
	<u>8,694,751</u>	<u>122,468</u>	<u>326,404</u>	<u>9,143,623</u>	<u>9,120,745</u>
<i>Less:</i>					
Distributions of estates and trusts . . . . .	6,989,146	---	---	6,989,146	7,554,268
Transfers to the Province Fees . . . . .	---	---	326,404	326,404	333,565
Undistributable estates and trusts (per Section 28) . . . . .	278,649	---	---	278,649	185,867
Investment income earned on Special Reserve Fund . . . . .	---	54,630	---	54,630	46,659
	<u>7,267,795</u>	<u>54,630</u>	<u>326,404</u>	<u>7,648,829</u>	<u>8,120,359</u>
Balance, end of year . . . . .	<u>\$ 15,174,307</u>	<u>\$ 971,184</u>	<u>\$ ---</u>	<u>\$ 16,145,491</u>	<u>\$ 14,650,697</u>

**PROVINCE OF NOVA SCOTIA****PUBLIC TRUSTEE****Notes to Financial Statements****March 31, 1997****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 generally accepted accounting principles modified by the following policies.

- a) The Office of the Public Trustee uses a modified cash basis of accounting. These financial statements do not include accrued interest receivable on investments.

The Public Trustee is responsible for administering certain non-cash assets such as real estate, personal effects and chattels. These assets are valued and recorded in the financial records at an estimated market value at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of \$1.

- b) Administration expenses of the Office of the Public Trustee are provided for by the general administration vote of the Department of Justice. These expenses are not reflected in the statement of continuity of assets (see Note 3).
- c) Securities consist of bonds, debentures, stocks and deposit certificates. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at face value or market value.

**3. Operating Costs**

Certain operating costs are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs of operating the Office of the Public Trustee are offset by fees charged for administering estates and by investment income.

	1997	1996
Department of Justice		
- Salaries and benefits . . . . .	\$ 520,996	\$ 513,662
- Other operating costs . . . . .	36,504	77,143
Department of Transportation and Public Works		
- Rent . . . . .	<u>53,591</u>	<u>59,868</u>
	<u>611,091</u>	<u>650,673</u>
Less transfers to Province		
- Fees . . . . .	326,404	333,565
- Special Reserve Fund income . . . . .	<u>54,630</u>	<u>46,659</u>
	<u>381,034</u>	<u>380,224</u>
Net cost to the Province . . . . .	<u>\$ 230,057</u>	<u>\$ 270,449</u>

#### 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 cost.

#### 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 annually to the Province. The remainder of the Fund is restricted to the purposes described above.

**AUDITORS' REPORT**

To the Board of Directors of  
Queen Elizabeth II Health Sciences Centre

We have audited the statement of financial position - operating and capital fund of the Queen Elizabeth II Health Sciences Centre as at March 31, 1997 and the statements of fund balances, revenues and expenditures, and changes in financial position for the year then ended. These financial statements are the responsibility of the 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 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 Centre 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 Centre as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with stated accounting policies as set out in Note 2 to the financial statements.

DELOITTE & TOUCHE  
Chartered Accountants

Halifax, Nova Scotia  
July 28, 1997

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Statement of Financial Position - Operating and Capital Fund

as at March 31, 1997

	Operating Fund	Capital Fund	Total 1997	Total 1996
	(in thousands)			
<b>ASSETS</b>				
<b>Current</b>				
Cash and short-term investments . . . . . \$	21	---	\$ 21	\$ 11,557
Investment held in trust (Note 3) . . . . .	500	---	500	4,294
Accounts receivable (Note 4) . . . . .	14,729	---	14,729	8,904
Due from Nova Scotia Department of Health (Note 5) . . . . .	4,357	---	4,357	5,166
Due to/from other funds . . . . .	27,983	(27,983)	---	---
Inventory (Notes 2 and 6) . . . . .	5,154	---	5,154	3,940
Prepaid expenses . . . . .	1,914	---	1,914	1,883
	<u>54,658</u>	<u>(27,983)</u>	<u>26,675</u>	<u>35,744</u>
Restricted cash and short-term investments (Notes 2 and 11) . . . . .	7,228	---	7,228	7,053
	<u>61,886</u>	<u>(27,983)</u>	<u>33,903</u>	<u>42,797</u>
<b>Workers' Compensation Board</b>				
(Note 16) . . . . .	3,967	---	3,967	3,986
<b>Deferred charge (Note 8)</b> . . . . .	2,144	---	2,144	---
<b>Capital assets (Notes 2 and 7)</b> . . . . .	---	169,181	169,181	123,689
	<u>\$ 67,997</u>	<u>\$ 141,198</u>	<u>\$ 209,195</u>	<u>\$ 170,472</u>
<b>LIABILITIES</b>				
<b>Current</b>				
Bank indebtedness . . . . . \$	14,519	---	\$ 14,519	\$ ---
Accounts payable and accrued liabilities (Note 9) . . . . .	52,411	---	52,411	32,510
Due to Nova Scotia Government Department of Finance . . . . .	3,449	---	3,449	2,698
Deferred revenue (Note 10) . . . . .	10,854	---	10,854	11,401
Current portion of long-term debt (Note 12) . . . . .	---	97	97	220
	<u>81,233</u>	<u>97</u>	<u>81,330</u>	<u>46,829</u>
Restricted liabilities (Notes 2 and 11) . . . . .	7,228	---	7,228	7,053
	<u>88,461</u>	<u>97</u>	<u>88,558</u>	<u>53,882</u>
<b>Long-term debt (Note 12)</b> . . . . .	---	113	113	210
	<u>88,461</u>	<u>210</u>	<u>88,671</u>	<u>54,092</u>



## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Statement of Financial Position - Operating and Capital Fund (Cont'd)

as at March 31, 1997

	Operating Fund	Capital Fund (in thousands)	Total 1997	Total 1996
<b>FUND BALANCE</b>				
Operating Deficiency .....	(21,898)	---	(21,898)	(9,369)
Surplus Retention .....	1,434	---	1,434	1,434
Investment in capital assets .....	---	140,988	140,988	124,315
	<u>(20,464)</u>	<u>140,988</u>	<u>120,524</u>	<u>116,380</u>
	<u>\$ 67,997</u>	<u>\$ 141,198</u>	<u>\$ 209,195</u>	<u>\$ 170,472</u>

Contingencies and commitments (Notes 5, 14, 15, 17, 18 and 19)

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Statement of Fund Balances

year ended March 31, 1997

	1997	1996
<b>OPERATING FUND</b>		
	(in thousands)	
Balance, beginning of year .....	\$ (9,369)	\$ (10,580)
Net operating revenues over/(under) expenditures .....	(12,529)	1,211
Balance, end of year .....	<u>\$ (21,898)</u>	<u>\$ (9,369)</u>
<b>SURPLUS RETENTION FUND</b>		
Balance, beginning and end of year .....	<u>\$ 1,434</u>	<u>\$ 1,434</u>
<b>INVESTMENT IN CAPITAL ASSETS</b>		
Balance, beginning of year .....	\$ 124,315	\$ 164,666
Capital funding (Schedule C) .....	21,167	22,423
Amortization (Schedule C) .....	---	(6,178)
Depreciation .....	(4,494)	---
Disposition of old Halifax Infirmary .....	---	(56,596)
Balance, end of year .....	<u>\$ 140,988</u>	<u>\$ 124,315</u>
<b>Total</b> .....	<u>\$ 120,524</u>	<u>\$ 116,380</u>

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Statement of Revenues and Expenditures

## Operating Fund

year ended March 31, 1997

	1997	1996
	(in thousands)	
Patient Care		
Revenues (Schedule A) . . . . .	\$ 284,133	\$ 289,772
Expenditures (Schedule B) . . . . .	<u>301,430</u>	<u>302,528</u>
	<u>(17,297)</u>	<u>(12,756)</u>
Affiliated programs		
Revenues (Schedule A) . . . . .	14,676	15,163
Expenditures (Schedule B) . . . . .	<u>15,167</u>	<u>15,901</u>
	<u>(491)</u>	<u>(738)</u>
Environmental		
Revenues (Schedule A) . . . . .	2,804	2,900
Expenditures (Schedule B) . . . . .	<u>2,804</u>	<u>2,900</u>
	<u>---</u>	<u>---</u>
<b>Results from operating activities</b> . . . . .	<b>(17,788)</b>	<b>(13,494)</b>
<b>Funding adjustments</b> . . . . .	<b>---</b>	<b>14,000</b>
	<u>(17,788)</u>	<u>506</u>
Research		
Revenues (Schedule A) . . . . .	6,928	8,656
Expenditures (Schedule B) . . . . .	<u>6,753</u>	<u>7,056</u>
	175	1,600
Opening balance . . . . .	<u>7,053</u>	<u>5,453</u>
Ending funds available for research . . . . .	7,228	7,053
Funds committed to future periods. . . . .	<u>7,228</u>	<u>7,053</u>
	<u>---</u>	<u>---</u>
Other		
Revenues (Schedule A) . . . . .	17,025	10,514
Expenditures (Schedule B) . . . . .	<u>11,766</u>	<u>9,687</u>
	<u>5,259</u>	<u>827</u>
Previous year's final settlement adjustments . . . . .	<u>---</u>	<u>(122)</u>
<b>Net revenues over expenditures (expenditures over revenues)</b> . . . . .	<b>\$ (12,529)</b>	<b>\$ 1,211</b>

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Statement of Changes in Financial Position

year ended March 31, 1997

	1997	1996
	(in thousands)	
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net revenues over expenditures		
- operating . . . . .	\$ (12,529)	\$ 1,211
Changes in non-cash working capital items (Schedule D) . . . . .	<u>13,844</u>	<u>9,145</u>
	<u>1,315</u>	<u>10,356</u>
<b>Financing</b>		
Capital funding (Schedule C) . . . . .	21,167	22,423
Repayment of capital leases . . . . .	(220)	(292)
Workers' Compensation Board . . . . .	19	---
	<u>20,966</u>	<u>22,131</u>
<b>Investing</b>		
Assets acquired (Schedule C) . . . . .	(52,604)	(22,523)
Disposal of capital assets . . . . .	474	1,547
	<u>(52,130)</u>	<u>(20,976)</u>
<b>Restricted Funding</b> . . . . .	<u>175</u>	<u>1,593</u>
<b>Net cash (outflow) inflow</b> . . . . .	(29,674)	13,104
<b>Cash position, beginning of year</b> . . . . .	<u>22,904</u>	<u>9,800</u>
<b>Cash position, end of year</b> . . . . .	<u>\$ (6,770)</u>	<u>\$ 22,904</u>
Represented by:		
Cash and short-term investments . . . . .	\$ 21	\$ 11,557
Bank indebtedness . . . . .	(14,519)	---
Investments held in trust . . . . .	500	4,294
Restricted cash and short-term investments . . . . .	<u>7,228</u>	<u>7,053</u>
	<u>\$ (6,770)</u>	<u>\$ 22,904</u>

**PROVINCE OF NOVA SCOTIA****QUEEN ELIZABETH II HEALTH SCIENCES CENTRE****Notes to the Financial Statements****year ended March 31, 1997****1. Queen Elizabeth II Health Sciences Centre**

On July 8, 1994, the Province of Nova Scotia announced the formation of the Queen Elizabeth II Health Sciences Centre ("QEII"). An act of the Legislation of the Province of Nova Scotia, proclaiming the incorporation of the QEII, was passed on February 27, 1996.

The QEII is dedicated to the provision of exemplary health care through the integration of patient care, teaching and research within a compassionate and caring Centre community, in partnership with other providers. It is the principal centre for the provision of these services in the Maritime Provinces.

**2. Significant Accounting Policies****a) Fund Accounting**

The QEII maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activity from capital activity.

**b) Investments**

Investments are stated at cost.

**c) Inventories**

Inventories are stated at cost, being the lower of cost and net realizable value.

**d) Capital Assets**

At March 31, 1997, the financial statements of the QEII reflect a mixture of accounting policies in respect to these assets, due to various practices of the four predecessor institutions.

All sites have projects that are carried out by the Nova Scotia Department of Transportation Public Works and these financial statements do not include the associated costs. Details of construction and other costs paid by the Nova Scotia Department of Transportation and Public Works during the year are included in Note 16.

- i) Certain land and buildings used by the Centre are not recorded in the financial statements as title is presently held in the name of the Province of Nova Scotia. The Centre has requested title transfer from the Province for the new Halifax Infirmary land and buildings, for which construction has been completed.
- ii) The Province of Nova Scotia has approved the design, construction and equipping of a new Halifax Infirmary building. The capital construction cost of the new facility to March 31, 1997 is recorded at cost. To facilitate construction, titles to the new hospital building complexes also are in the name of the Province of Nova Scotia.
- iii) Amortization of assets is provided in the accounts at the following rates using one half the rate in the year of acquisition:

IT Implementations	5 years straight line
Equipment, major	10 years straight line
Leasehold construction	10 years straight line
Buildings	2% declining balance

e) Restricted Assets and Liabilities

Restricted cash and short-term investments are designated for restricted purposes by independent funders, by regulation or by resolution of the QEII Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

f) Pledges

No accrual is made for donation revenues pledged but not yet received.

g) Compensation Accruals

Retirement allowances, including Long Service awards, are not accrued in the financial statements.

**3. Investments Held in Trust**

During 1994/95, the Board of Directors of the NSRC approved the transfer of \$500,000 to the Nova Scotia Rehabilitation Centre Foundation for investment purposes. The balance of the investment excluding accrued interest at March 31, 1997 is \$500,000 (1996 - \$4,294,181).

**4. Accounts Receivable**

	1997	1996
	(in thousands)	
Accounts receivable . . . . .	\$ 15,350	\$ 9,785
Allowance for doubtful accounts . . . . .	<u>(621)</u>	<u>(881)</u>
	<u>\$ 14,729</u>	<u>\$ 8,904</u>

## 5. Nova Scotia Department of Health

	1997	1996
	(in thousands)	
CTRF debt . . . . .	\$ 3,449	\$ ---
1995/96 claims . . . . .	77	---
1994/95 operating claims . . . . .	3	3
1996/97 claims . . . . .	37	---
Move to NHI . . . . .	3,278	---
Environmental claims (Note 14) . . . . .	7,174	4,407
Severance and early retirements . . . . .	5,401	3,103
Long-term care (VAC) . . . . .	2,749	1,467
High cost drugs . . . . .	1,384	---
Bone marrow transplants . . . . .	161	443
Other claims . . . . .	---	222
Medical education . . . . .	409	---
Capital grants . . . . .	<u>9,497</u>	<u>2,934</u>
	33,619	12,579
Funding advance - March 1997 . . . . .	(9,958)	---
Wage Rollback Program . . . . .	(1,328)	(1,318)
New Halifax Infirmary . . . . .	(14,463)	(1,860)
Funding Rollback Program . . . . .	<u>(3,513)</u>	<u>(4,235)</u>
	<u>\$ 4,357</u>	<u>\$ 5,166</u>

All amounts due are subject to review and approval by the Nova Scotia Department of Health. The Centre's claim in respect of 1995/96 losses from shareable operations has been submitted (but not yet approval) to the Department of Health.

## 6. Inventories

	1997	1996
	(in thousands)	
Drugs . . . . .	\$ 2,746	\$ 2,285
General supplies . . . . .	782	832
Medical and surgical supplies . . . . .	<u>1,626</u>	<u>823</u>
	<u>\$ 5,154</u>	<u>\$ 3,940</u>

## 7. Capital Assets (see Note 2)

	Cost	Accumulated Depreciation	Net Book Value	
			1997	1996
			(in thousands)	
Land . . . . .	\$ 324	\$ ---	\$ 324	\$ 324
New Halifax Infirmary Bldg . . . . .	108,742	1,087	107,655	103,934
Other buildings & additions . . . . .	7,375	147	7,228	7,377
Building service equipment . . . . .	3,477	2,270	1,207	1,479
Equipment . . . . .	32,024	1,602	30,422	10,575
Leasehold improvements . . . . .	15,781	789	14,992	---
Information technology . . . . .	<u>8,170</u>	<u>817</u>	<u>7,353</u>	<u>---</u>
	<u>\$ 175,893</u>	<u>\$ 6,712</u>	<u>\$ 169,181</u>	<u>\$ 123,689</u>

**8. Deferred Charge**

During the year, \$2,144,000 in re-engineering costs were deferred. These costs which include external consulting fees and internal expenditures incurred on the project will be amortized in future periods as savings are realized.

**9. Accounts Payable**

	1997	1996
	(in thousands)	
Trade payables/accrued liabilities .....	\$ 45,167	\$ 26,960
Vacation pay accrual .....	5,472	5,060
VAC payable .....	1,772	490
	<u>\$ 52,411</u>	<u>\$ 32,510</u>

**10. Deferred Revenue**

This amount represents an advance payment to the Centre from the Nova Scotia Department of Health for funding for the 1997/98 fiscal year.

**11. Restricted Liabilities**

These assets and liabilities represent funds, the use of which is restricted by various conditions.

	1997	1996
	(in thousands)	
Abbie J. Lane Trust Fund .....	\$ 64	\$ 64
Charitable funds .....	58	63
Centre for Clinical Research .....	7,202	6,486
Other .....	(96)	440
	<u>\$ 7,228</u>	<u>\$ 7,053</u>

**12. Long-Term Debt**

	1997	1996
	(in thousands)	
<b>Obligation under Capital Lease</b>		
Bank of Montreal Leasing Corporation, sixty monthly blended payments of \$18,232 to October 28, 1996, effective annual rate of interest of 10.5% .....	\$ ---	\$ 123
<b>Equipment Purchase Agreement</b>		
Versa Services Ltd., sixty monthly payments of principal only (non-interest bearing) to November 1999 .....	210	307
	210	430
Current portion .....	(97)	(220)
	<u>\$ 113</u>	<u>\$ 210</u>



Minimum principal payments required in each of the next four years are:

	(in thousands)
1997/98 .....	\$ 97
1998/99 .....	97
1999/2000 .....	16
2000/2001 .....	---
	<u>\$ 210</u>

### 13. Pension Funds

#### a) Public Service Superannuation Fund

Most employees of the VGH and CTRF are eligible to join the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Centre's operating expenses. The Public Service Superannuation Fund is administered by the Nova Scotia Department of Finance. The Centre is not responsible for any unfunded liability.

#### b) Nova Scotia Association of Health Organizations

The NSRC and CHMC participate in the multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent Actuarial Valuation was conducted as at December 31, 1995 and showed a funding excess for the entire plan of over \$80,000,000.

### 14 Long-Term Disability Plan

Most employees of the VGH and the CTRF are eligible to join a Long-Term Disability Plan which is funded equally by employee and employer contributions. The employer's contributions are included in the Centre's operating expenses. The plan is currently administered by the Province of Nova Scotia who has disclosed an unfunded liability of approximately \$16,000,000 for VGH and CTRF employees. The ultimate responsibility for funding the liability has not been resolved between the Province of Nova Scotia and the QEII.

### 15. Environmental Expenditures

During the year, the Centre incurred approximately \$2,804,000 (1996- \$2,900,000) of costs associated with the environmental illness claims which have been recorded in these financial statements. Management believes that additional costs will be incurred during fiscal 1997/98 on environmental illness claims. The Department of Health has agreed to fund all on-going environmental illness claims. No provision has been made for future claims as the amount of the claim is unknown and the Centre has not yet made formal commitments for these expenditures.

**16. Due from Workers' Compensation Board of Nova Scotia**

Outstanding claims with the Workers' Compensation Board of Nova Scotia are determined to be \$3,967,000. These claims are for salary costs of employees who have been ill and were unable to work due to an air quality problem in buildings at the Camp Hill Medical Centre. The amount eventually recovered from the Workers' Compensation Board will be dependent upon its final review of these outstanding claims. In the event that the Workers' Compensation Board of Nova Scotia does not honour the claim, the Centre will seek recovery from the Province of Nova Scotia.

**17. Construction of New Halifax Infirmary Building**

The construction of the new Halifax Infirmary building is substantially completed. An additional equipment grant of \$8,800,000 was also awarded. To March 31, 1997, the Centre has paid \$136,485,000 of the total costs. The Centre has entered into significant commitments to suppliers for the completion of the building.

The funding for the building was committed as follows:

Province of Nova Scotia (additional equipment grant)	\$ 8,800,000
Province of Nova Scotia	\$ 104,000,000
QE11 Health Sciences Centre	\$ 26,000,000

A capital campaign was undertaken by the Camp Hill Medical Centre Foundation to support the Camp Hill Medical Centre commitment. The objective of the campaign is to raise \$10,000,000 with term pledges from the private sector payable up to the year 2002. Should the pledges, for any reason, not be fully recovered, the QE11 will be responsible for finding alternate funding for any shortfall.

**18. Commitments**

In June, 1996, the Centre entered into a contractual agreement for approximately \$8 million to purchase and implement a new patient care information system.

**19. Lease commitments**

The Centre has the following annual lease commitments:

1997/98 .....	\$ 411,052
1998/99 .....	411,052
1999/2000 .....	235,291
2000/2001 .....	32,628
2001/2002 .....	32,628

**20. Comparative Figures**

Certain of the March 31, 1996 comparative figures have been reclassified to conform with current year financial statement presentation.

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Schedule of Revenues

## Operating Fund

year ended March 31, 1997

	Patient Care	Affiliated Programs	Environ- mental (in thousands)	Research	Other	1997 Total	1996 Total
<b>Inpatient</b>							
Department of							
Health . . . . . \$	200,645 \$	11,319 \$	2,804 \$	--- \$	7,222 \$	221,990 \$	225,742
Federal . . . . .	917	---	---	---	---	917	536
VAC Chronic . . . . .	13,464	---	---	---	---	13,464	13,700
Non-resident . . . . .	1,213	---	---	---	---	1,213	1,437
Workers'							
Compensation							
Board . . . . .	1,614	---	---	---	---	1,614	2,199
Other . . . . .	91	---	---	---	---	91	---
	<u>217,944</u>	<u>11,319</u>	<u>2,804</u>	<u>---</u>	<u>7,222</u>	<u>239,289</u>	<u>243,614</u>

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues

Operating Fund (Cont'd)

year ended March 31, 1997

	Patient Care	Affiliated Programs	Environ- mental (in thousands)	Research	Other	1997 Total	1996 Total
<b>Outpatient</b>							
Department of							
Health .....	47,860	---	---	---	---	47,860	47,898
Federal .....	167	---	---	---	---	167	156
Non-resident .....	1,349	---	---	---	---	1,349	1,044
Workers'							
Compensation							
Board .....	378	---	---	---	---	378	386
Other .....	1,133	---	---	---	---	1,133	739
Laboratory .....	52					52	---
Radiology .....	106					106	160
Ambulance .....	100	---	---	---	---	100	74
	<u>51,145</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>51,145</u>	<u>50,457</u>

Schedule A

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Revenues

Operating Fund (Cont'd)

year ended March 31, 1997

	Patient Care	Affiliated Programs	Environ- mental (in thousands)	Research	Other	1997 Total	1996 Total
<b>Other</b>							
Contract revenue . . . . . \$	--- \$	--- \$	--- \$	6,469 \$	--- \$	6,469	8,335
Preferred accommodation . . . . .	2,943	---	---	---	862	3,805	3,830
Medical							
Education . . . . .	15	3,357	---	---	---	3,372	3,436
Laboratory . . . . .	4,897	---	---	---	---	4,897	4,560
Dietary . . . . .	61	---	---	---	3,776	3,837	3,684
Ortho/prosthetics . . . . .	2,253	---	---	---	---	2,253	1,553
Donations . . . . .	---	---	---	---	4,644	4,644	2,594
Psychiatry . . . . .	2,041	---	---	---	---	2,041	1,392
Plant . . . . .	1,160	---	---	---	---	1,160	1,175
Radiology . . . . .	769	---	---	---	---	769	848
Interest . . . . .	---	---	---	---	132	132	842
Other . . . . .	320	---	---	459	329	1,108	(49)
Rentals . . . . .	324	---	---	---	14	338	352
Parking . . . . .	261	---	---	---	46	307	311
Pharmacy . . . . .	---	---	---	---	---	---	71
	<u>15,044</u>	<u>3,357</u>	<u>---</u>	<u>6,928</u>	<u>9,803</u>	<u>35,132</u>	<u>32,934</u>
<b>Total revenues . . . . . \$</b>	<u><u>284,133</u></u>	<u><u>14,676</u></u>	<u><u>2,804</u></u>	<u><u>6,928</u></u>	<u><u>17,025</u></u>	<u><u>325,566</u></u>	<u><u>327,005</u></u>

Schedule B

PROVINCE OF NOVA SCOTIA

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Expenditures

Operating Fund

year ended March 31, 1997

	Patient Care	Affiliated Programs	Environ- mental (in thousands)	Research	Other	1997 Total	1996 Total
Compensation . . . . .	\$ 212,410	\$ 14,650	\$ 2,729	\$ 3,492	\$ 3,226	\$ 236,507	\$ 240,657
Medical and surgical supplies . . . . .	24,384	16	---	12	2	24,414	24,311
Plant and maintenance supplies . . . . .	17,734	45	---	246	133	18,158	19,876
Drugs . . . . .	17,071	28	---	170	---	17,269	15,600
Purchased service . . . . .	8,708	91	72	459	348	9,678	7,097
Other . . . . .	5,718	6	2	897	57	6,680	10,632
Lab Supplies . . . . .	4,196	---	---	58	---	4,254	4,551
Fees . . . . .	3,372	169	1	291	2,696	6,529	6,419
Food supplies . . . . .	3,113	2	---	---	1,854	4,969	3,761
Diagnostic imaging . . . . .	2,518	63	---	8	---	2,589	2,627
Travel total . . . . .	1,137	97	---	255	48	1,537	1,151
Insurance . . . . .	1,069	---	---	---	---	1,069	716
Move . . . . .	---	---	---	---	3,402	3,402	---
Research overhead . . . . .	---	---	---	865	---	865	674
<b>Total expenditures . . . . .</b>	<b>\$ 301,430</b>	<b>\$ 15,167</b>	<b>\$ 2,804</b>	<b>\$ 6,753</b>	<b>\$ 11,766</b>	<b>\$ 337,920</b>	<b>\$ 338,072</b>

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Schedule of Changes in Capital Fund

year ended March 31, 1997

	1997	1996
	Total	Total
	(in thousands)	
<b>Capital Funding</b>		
Department of		
Health .....	\$ 19,629	\$ 20,640
Foundations .....	1,538	---
Other .....	---	1,783
	<u>\$ 21,167</u>	<u>\$ 22,423</u>
<b>Capital Expenditures</b>		
New Halifax Infirmary		
Building .....	\$ 4,504	\$ 8,953
Leasehold		
improvements .....	15,781	---
Merger .....	---	1,779
Re-engineering .....	2,144	---
Other equipment .....	22,005	10,341
IT equipment .....	8,170	1,450
	<u>\$ 52,604</u>	<u>\$ 22,523</u>
Amortization of Capital fund .....	<u>\$ ---</u>	<u>\$ 6,178</u>

## PROVINCE OF NOVA SCOTIA

## QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

## Changes in Non-Cash Working Capital Items

year ended March 31, 1997

	1997	1996
	(in thousands)	
<b>Decrease (increase) in</b>		
Accounts receivable . . . . . \$	(5,825) \$	(847)
Due from Nova Scotia Department of Health . . . . .	809	12,939
Inventory . . . . .	(1,214)	(566)
Prepaid expenses . . . . .	(31)	315
<b>Increase (decrease) in</b>		
Accounts payable . . . . .	23,350	(1,922)
Due to Nova Scotia Government		
Department of Finance . . . . .	(2,698)	(470)
Deferred revenue . . . . .	(547)	(304)
<b>Increase in non-cash working capital items . . . . . \$</b>	<u>13,844</u> \$	<u>9,145</u>



**AUDITORS' REPORT**

To the Board of Directors of  
Resource Recovery Fund Board Inc.

We have audited the statement of financial position of Resource Recovery Fund Board Inc. as at March 31, 1997 and the statement of operations, changes in net assets and changes in financial position for 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 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, 1997 and the results of its operations, changes in net assets and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND  
Chartered Accountants

Truro, Nova Scotia  
May 29, 1997

**PROVINCE OF NOVA SCOTIA**  
**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Financial Position**

as at March 31, 1997

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Cash . . . . .	\$ 3,534,079	\$ 1,860,560
Receivables		
Trade . . . . .	2,446,650	23,300
Accrued interest . . . . .	7,334	8,551
Nova Scotia Resource Recovery Fund . . . . .	---	511,175
Inventory . . . . .	46,261	---
Prepays . . . . .	6,536	2,269
	6,040,860	2,405,855
Property and equipment (Note 3) . . . . .	754,890	565,224
Organizational costs . . . . .	559,502	390,617
	\$ 7,355,252	\$ 3,361,696

**LIABILITIES**

<b>Current</b>		
Payables and accruals		
Trade . . . . .	\$ 709,336	\$ 589,348
Municipal solid waste diversion . . . . .	649,202	---
Unearned revenue . . . . .	2,188,474	---
	3,547,012	589,348

**NET ASSETS**

Invested in capital assets . . . . .	1,314,392	955,841
Restricted for future projects . . . . .	1,816,507	1,816,507
Restricted for approved programs . . . . .	677,341	---
	3,808,240	2,772,348
	\$ 7,355,252	\$ 3,361,696

**Commitments (Note 6)**

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA**  
**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Operations**

**Year Ended March 31, 1997**

**Revenues**

Deposits

Gross revenues from deposits. . . . .	\$	17,924,600
Less: Goods and Services Tax. . . . .		(1,172,637)
Unearned revenue: . . . . .		(2,188,474)
		14,563,489
Gross sales of recyclable materials. . . . .		2,032,062
Stewardship . . . . .		408,821
<b>Total Revenues</b> . . . . .		<b>17,004,372</b>

**Cost of Sales**

Enviro-depot costs. . . . .		10,476,211
Local cartage. . . . .		1,132,409
Regional processing. . . . .		893,846
Used tires. . . . .		166,246
		12,668,712
Less: Inventory, end of year. . . . .		46,261
		12,622,451
Gross margin . . . . .		4,381,921
Administrative and operating expenses (Page 9). . . . .		1,795,083
<b>Operating Income.</b> . . . . .		<b>2,586,838</b>
Interest and other income . . . . .		70,117
<b>Excess of Revenues over Expenses.</b> . . . . .	\$	<b>2,656,955</b>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## RESOURCE RECOVERY FUND BOARD INC.

## Statement of Changes in Financial Position

Year Ended March 31, 1997

	1997	Two months ended 1996
Cash Derived From (Applied to)		
<b>Operating</b>		
Excess of revenues over expenses . . . . .	\$ 2,656,955	\$ ---
Amortization and depreciation. . . . .	261,908	---
	<u>2,918,863</u>	<u>---</u>
Change in non-cash operating working capital		
Receivables. . . . .	(1,910,958)	(543,026)
Inventory . . . . .	(46,261)	---
Prepays . . . . .	(4,267)	(2,269)
Payables and accruals . . . . .	769,190	589,348
Unearned revenue. . . . .	2,188,474	---
	<u>3,915,041</u>	<u>44,053</u>
<b>Investing</b>		
Contribution of net assets from Nova Scotia Resource Recovery Fund (Note 5)	---	2,772,348
Purchase of		
Property and equipment. . . . .	(362,180)	(565,224)
Organizational costs . . . . .	(258,279)	(390,617)
	<u>(620,459)</u>	<u>1,816,507</u>
<b>Allocation of net assets to:</b>		
Municipal solid waste diversion . . . . .	(1,149,202)	---
Approved programs. . . . .	(471,861)	---
	<u>(1,621,063)</u>	<u>---</u>
Net increase in cash . . . . .	1,673,519	1,860,560
Cash, beginning of year. . . . .	1,860,560	---
Cash, end of year. . . . .	<u>\$ 3,534,079</u>	<u>\$ 1,860,560</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## RESOURCE RECOVERY FUND BOARD INC.

## Notes to the Financial Statements

March 31, 1997

**1. Nature of Operations**

The Resource Recovery Fund Board Inc. is a not-for-profit-company established by the Nova Scotia government to manage a substantial portion of the Province's Solid Waste-Resource Management Regulations. In April 1996, the company introduced a beverage container deposit/refund system and in January 1997, a recycling program for used tires.

**2. Summary of Significant Accounting Policies****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	20%,	straight-line
Containers	33 1/3%,	straight-line

**Inventory**

Inventory is valued at the lower of cost and net realizable value.

**Unearned revenue**

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. The amount recorded by the company as unearned revenue consists of sixty (60) days of deposits received from the distributors reduced by an estimated recovery rate.

**Organizational costs**

Organizational costs for new programs are amortized on a straight-line basis over five years.

**Income taxes**

The company is exempt from income taxes under Section 149(l)(d) of the Canadian Income Tax Act.

**Revenue recognition**

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

**3. Property and Equipment**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>1997 Net Book Value</b>	<b>1996 Net Book Value</b>
Land . . . . .	\$ 29,492	\$ ---	\$ 29,492	\$ 29,492
Building . . . . .	273,150	13,657	259,493	223,716
Field equipment . . . . .	94,824	18,965	75,859	87,470
Office and Warehouse Equipment . . . . .	55,467	11,093	44,374	1,675
Containers . . . . .	254,351	84,775	169,576	134,949
Computer hardware and software . . . . .	220,120	44,024	176,096	87,922
	<u>\$ 927,404</u>	<u>\$ 172,514</u>	<u>\$ 754,890</u>	<u>\$ 565,224</u>

**4. Bank Indebtedness**

The company has a operating line of credit of \$2,500,000, of which all is unused at March 31, 1997.

**5. Net Asset Contribution**

On February 6, 1996, net assets totalling \$2,772,348, representing contributions from voluntary industry agreements under the Nova Scotia Resource Recovery Fund, were transferred to the Resource Recovery Fund Board Inc. The company invested \$955,841 in capital assets and restricted the remaining \$1,816,507 for future projects. An amount of \$181,860 was not transferred but withheld by the Province for education and awareness.

**6. Commitments**

The company has entered into agreements to lease a warehouse and vehicles for the next two years. Minimum rent payable for the warehouse and vehicles in aggregate for each of the next two years is as follows:

	<b>Warehouse</b>	<b>Vehicles</b>	<b>Total</b>
1998	\$ 42,000	\$ 16,476	\$ 58,476
1999	\$ 38,500	\$ 6,043	\$ 44,543

## PROVINCE OF NOVA SCOTIA

## RESOURCE RECOVERY FUND BOARD INC.

## Schedule of Administrative and Operating Expenses

Year Ended March 31, 1997

Board fees and expenses . . . . .	\$	40,178
Consulting . . . . .		134,939
Delivery and courier fees . . . . .		6,779
Depreciation and amortization . . . . .		261,908
Equipment lease or rent . . . . .		9,019
Freight . . . . .		464,336
Insurance . . . . .		3,446
Interest and bank charges . . . . .		3,855
Meetings . . . . .		2,816
Miscellaneous . . . . .		2,985
Office expense . . . . .		38,999
Professional fees . . . . .		217,543
Property taxes . . . . .		5,495
Public relations . . . . .		96,079
Rent . . . . .		28,612
Repairs and maintenance . . . . .		13,229
Salaries and benefits . . . . .		276,618
Shipping supplies . . . . .		18,461
Telecommunications . . . . .		62,759
Training . . . . .		1,050
Travel expenses . . . . .		57,330
Utilities . . . . .		18,059
Vehicle expense . . . . .		30,588
	\$	<u>1,795,083</u>

**PROVINCE OF NOVA SCOTIA**  
**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Changes in Net Assets**

Year Ended March 31, 1997

Net Assets	Invested in Capital Assets	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	1997	1996
<b>Balance, beginning of year</b>						
<b>(Note 5)</b> . . . . .	\$ 955,841	\$ 1,816,507	\$ ---	\$ ---	\$ 2,772,348	\$ ---
Excess of revenues over expenses . . . . .	(261,908)	---	---	2,918,863	2,656,955	---
Investment in capital assets . . . . .	620,459	---	---	(620,459)	---	955,841
	<u>1,314,392</u>	<u>1,816,507</u>	<u>---</u>	<u>2,298,404</u>	<u>5,429,303</u>	<u>955,841</u>
Internally imposed restrictions . . . . .	---	---	1,149,202	(1,149,202)	---	1,816,507
Payments during the year						
Education and awareness . . . . .	---	---	(334,361)	---	(334,361)	---
Regional coordinators . . . . .	---	---	(137,500)	---	(137,500)	---
Allocation of Municipal solid waste diversion						
Advances . . . . .	---	---	---	(500,000)	(500,000)	---
Payable . . . . .	---	---	---	(649,202)	(649,202)	---
<b>Balance, end of year</b> . . . . .	<u>\$ 1,314,392</u>	<u>\$ 1,816,507</u>	<u>\$ 677,341</u>	<u>\$ ---</u>	<u>\$ 3,808,240</u>	<u>\$ 2,772,348</u>

See accompanying notes to the financial statements.



**AUDITORS' REPORT**

To the Members of the  
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 1997 and the statements of revenue and expenditures, fund balances, and changes in financial position for the year 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 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 Commission as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles set out in the notes to the financial statements.

DELOITTE & TOUCHE  
Chartered Accountants

Halifax, Nova Scotia  
May 2, 1997

**PROVINCE OF NOVA SCOTIA**  
**SHERBROOKE RESTORATION COMMISSION**

**BALANCE SHEET**

as at March 31, 1997

	1997	1996
<b>OPERATING FUND</b>		
<b>Assets</b>		
Accounts receivable .....	\$ 9,484	\$ 27,414
Inventory .....	84,502	72,855
Prepaid expenses .....	19,771	21,853
	<u>\$ 113,757</u>	<u>\$ 122,122</u>
<b>Liabilities</b>		
Bank indebtedness .....	\$ 60,858	\$ 13,555
Accounts payable .....	40,106	22,439
	100,964	35,994
<b>Fund balance</b> .....	<u>12,793</u>	<u>86,128</u>
	<u>\$ 113,757</u>	<u>\$ 122,122</u>

**INVESTMENT IN PROPERTY, BUILDINGS AND FURNISHINGS FUND**

<b>Assets</b>		
Property, buildings and furnishings .....	<u>\$ 3,895,010</u>	<u>\$ 3,747,799</u>
<b>Fund balance</b> .....	<u>\$ 3,895,010</u>	<u>\$ 3,747,799</u>

**PROVINCE OF NOVA SCOTIA**  
**SHERBROOKE RESTORATION COMMISSION**

**Statement of Revenue and Expenditures**

**year ended March 31, 1997**

	<b>Budget 1997</b>	<b>Actual 1997</b>	<b>Actual 1996</b>
<b>Revenue</b>			
Operating grants			
Board of Governors of the Nova Scotia Museum . . . . .	\$ 766,300	\$ 766,300	\$ 766,300
Capital grants			
Department of Transportation and Public Works (Note 3) . . . . .	100,000	135,718	133,972
Nova Scotia Museum . . . . .	---	25,000	32,948
	<u>100,000</u>	<u>160,718</u>	<u>166,920</u>
Program revenue (Schedule 2) . . . . .	<u>243,785</u>	<u>277,288</u>	<u>275,697</u>
Other			
Gate admissions . . . . .	110,000	92,752	102,597
Interest . . . . .	13,500	6,320	16,162
Miscellaneous . . . . .	7,120	3,231	8,353
	<u>130,620</u>	<u>102,303</u>	<u>127,112</u>
Total revenue . . . . .	<u>1,240,705</u>	<u>1,306,609</u>	<u>1,336,029</u>
<b>Expenditures</b>			
General operating (Schedule 1) . . . . .	561,300	587,406	583,885
Program (Schedule 2) . . . . .	579,405	645,327	636,021
Capital . . . . .	100,000	147,211	154,699
Total expenditures . . . . .	<u>1,240,705</u>	<u>1,379,944</u>	<u>1,374,605</u>
<b>Net (expenditure) revenue . . . . .</b>	<u>\$ ---</u>	<u>\$ (73,335)</u>	<u>\$ (38,576)</u>

**PROVINCE OF NOVA SCOTIA**  
**SHERBROOKE RESTORATION COMMISSION**

**Statement of Fund Balances**

**year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>OPERATING FUND</b>		
Balance, beginning of year .....	\$ 86,128	\$ 124,704
Net expenditure .....	<u>(73,335)</u>	<u>(38,576)</u>
Balance, end of year .....	<u>\$ 12,793</u>	<u>\$ 86,128</u>

**INVESTMENT IN PROPERTY, BUILDINGS AND FURNISHINGS FUND**

Balance, beginning of year .....	<u>\$ 3,747,799</u>	<u>\$ 3,593,100</u>
Additions		
Furnishings and equipment .....	---	20,727
Renovations - Department of Transportation and Public works .....	122,211	133,972
Land .....	<u>25,000</u>	<u>---</u>
	<u>147,211</u>	<u>154,699</u>
Balance, end of year .....	<u>\$ 3,895,010</u>	<u>\$ 3,747,799</u>

**PROVINCE OF NOVA SCOTIA**  
**SHERBROOKE RESTORATION COMMISSION**

**Statement of Changes in Financial Position**

**year ended March 31, 1997**

	<b>1997</b>	<b>1996</b>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net expenditure . . . . . \$	(73,335) \$	(38,576)
Add capital expenditures charged to operations . . . . .	147,211	154,699
	73,876	116,123
Changes in non-cash operating capital items (Note 5) . . . . .	26,032	(42,495)
	99,908	73,628
<b>Investing</b>		
Additions to property, buildings and furnishings . . . . .	(147,211)	(154,699)
<b>Net cash outflow</b> . . . . .	(47,303)	(81,071)
<b>Cash position, beginning of year</b> . . . . .	(13,555)	67,516
<b>Bank indebtedness, end of year</b> . . . . . \$	(60,858) \$	(13,555)

**PROVINCE OF NOVA SCOTIA**  
**SHERBROOKE RESTORATION COMMISSION**

**Notes to the Financial Statements**

**year ended March 31, 1997**

**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**

The financial statements have been prepared in accordance with accounting policies considered appropriate for organizations of this type. The more significant of these accounting policies are summarized below:

**a) Fund Accounting**

The assets and liabilities of the Commission are segregated into two funds - Operating and Investment in Property, Buildings and Furnishings. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

**b) Depreciation**

Depreciation is not recorded on the property, buildings and furnishings.

**c) Property, Buildings and Furnishings**

Property, buildings and furnishings 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.

**d) Inventory**

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and market (Note 6).

**3. Capital Grants - Department of Transportation and Public Works**

The Commission receives grants for capital projects from the Nova Scotia Department of Transportation and Public Works. The portion of these grants relating to reimbursement for Workers' Compensation is applied directly to reduce the Workers' Compensation expense, rather than to revenue.

**4 Pension Plan**

The Commission has a defined benefit pension plan which covers all employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The last actuarial was carried out in 1996, and covered the financial position of the plan as at December 31, 1995. At that time, the assets of the plan amounted to \$594,739 and the liabilities amounted to \$514,341, with the result that the plan had a surplus of \$80,398 at that date.

**5. Changes in Non-cash Operating Working Capital Items**

	1997	1996
Accounts receivable .....	\$ 17,930	\$ (19,150)
Accounts payable .....	17,667	1,044
Prepaid expenses .....	2,082	3,650
Deferred revenue .....	---	(27,804)
Inventory .....	(11,647)	(235)
	<u>\$ 26,032</u>	<u>\$ (42,495)</u>

**6. Change in Accounting Policy**

During the year ended March 31, 1996, the Commission changed its accounting policy regarding inventories. Inventories previously expensed are now recorded at the lower of cost or market. The effect of this change was to increase the fund balance in the operating fund by \$72,620, representing the inventory on hand at March 31, 1995.

**7. Prior Period Adjustment**

An error was included in the financial statements for the year ended March 31, 1996. This error caused inventory to be overstated by \$12,353, as well as program expenditures to be understated by the same amount. The 1996 financial statements presented have been restated to correct this error. The effect of this correction has been a decrease in the 1996 net revenue as well as a decrease in the 1996 inventory by the amount of the error.

## PROVINCE OF NOVA SCOTIA

## SHERBROOKE RESTORATION COMMISSION

## Schedule of General Operating Expenditures

year ended March 31, 1997

	Budget 1997	Actual 1997	Actual 1996
Advertising and brochures . . . . . \$	12,000 \$	25,938 \$	31,830
Bad debts . . . . .	---	1,542	(672)
Freight . . . . .	1,500	2,888	2,469
Heat, light and power . . . . .	50,000	59,967	50,452
Insurance and taxes . . . . .	4,800	4,652	3,068
Interest and bank charges . . . . .	3,000	2,592	2,372
Maintenance supplies . . . . .	12,000	12,950	15,612
Miscellaneous . . . . .	4,030	7,850	8,226
Motor vehicles . . . . .	3,000	3,076	4,504
Office supplies and postage . . . . .	9,200	8,898	8,145
Sewer and water . . . . .	39,000	36,452	40,086
Professional fees . . . . .	4,500	5,233	4,675
Property maintenance and security salaries . . .	114,840	112,912	127,092
Pension plan and other benefits . . . . .	67,500	61,736	59,653
Salaries and wages - Administration . . . . .	171,930	172,183	148,958
Staff and Commission training . . . . .	25,000	13,041	27,062
Special projects wages . . . . .	---	8,867	9,442
Telephone . . . . .	12,000	16,449	14,710
Travel . . . . .	7,000	13,434	11,191
Workers' compensation . . . . .	20,000	16,746	15,010
	<u>\$ 561,300</u>	<u>\$ 587,406</u>	<u>\$ 583,885</u>



## Schedule 2

## PROVINCE OF NOVA SCOTIA

## SHERBROOKE RESTORATION COMMISSION

## Schedule of Program Revenue and Expenditures

year ended March 31, 1997

	1997 Budget	1997 Net Expenditures	1996 Net Expenditures
Blacksmith shop . . . . .	\$ 6,870	\$ 12,529	\$ 8,684
Boat shop . . . . .	9,420	1,827	1,316
Costume shop . . . . .	17,600	15,176	15,110
Craft shop . . . . .	21,090	25,019	681
Emporium . . . . .	(49,015)	(11,192)	(1,925)
Exhibit operations . . . . .	16,510	15,712	15,380
Jordan barn . . . . .	27,675	33,997	28,634
Pottery shop . . . . .	23,100	23,189	22,607
Restaurant . . . . .	(2,500)	(1,351)	(2,183)
Print shop . . . . .	1,000	462	393
Sawmill operations . . . . .	21,665	22,075	16,203
Ambrotype Studio . . . . .	6,255	5,764	7,252
Turner shop . . . . .	20,520	19,181	16,890
Woodworking shop . . . . .	24,265	15,391	40,790
Education program . . . . .	(7,500)	(12,760)	(3,941)
Guides . . . . .	198,665	201,071	194,433
Riverfront project . . . . .	---	1,949	---
	<u>\$ 335,620</u>	<u>\$ 368,039</u>	<u>\$ 360,324</u>
Program expenditures . . . . .	\$ 579,405	\$ 645,327	\$ 636,021
Less: Program revenue . . . . .	243,785	277,288	275,697
Net expenditures . . . . .	<u>\$ 335,620</u>	<u>\$ 368,039</u>	<u>\$ 360,324</u>

**AUDITORS' REPORT TO THE SHAREHOLDER**

We have audited the balance sheet of Trade Centre Limited as at March 31, 1997 and the statements of operations and deficit and changes in financial position 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 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, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the company taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary 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  
Chartered Accountants

Halifax, Canada  
June 6, 1997

## PROVINCE OF NOVA SCOTIA

## TRADE CENTRE LIMITED

## BALANCE SHEET

March 31, 1997, with comparative figures for 1996

	1997	1996
<b>ASSETS</b>		
Current assets:		
Cash . . . . .	\$ ---	\$ 156,153
Short-term investments . . . . .	3,713,869	3,226,112
Accounts receivable (Note 2) . . . . .	936,526	724,613
Inventories . . . . .	78,085	79,763
Prepaid expenses . . . . .	39,859	41,856
	<u>4,768,339</u>	<u>4,228,497</u>
Portfolio investments . . . . .	429,850	784,301
Property and equipment (Note 3):		
Land, building, furniture and equipment and Tenant leaseholds . . . . .	33,089,880	33,106,457
Less: Accumulated depreciation and amortization . . . . .	<u>15,082,695</u>	<u>14,039,209</u>
	18,007,185	19,067,248
	<u>\$ 23,205,374</u>	<u>\$ 24,080,046</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 732,959	\$ 439,936
Due to the Province of Nova Scotia . . . . .	2,417,593	2,359,154
Event deposits . . . . .	276,928	236,975
Deferred revenue . . . . .	26,874	28,787
	<u>3,454,354</u>	<u>3,064,852</u>
Deferred capital assistance (Note 4) . . . . .	429,850	784,301
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 . . . . .	<u>(25,852,031)</u>	<u>(24,942,308)</u>
	19,321,170	20,230,893
	<u>\$ 23,205,374</u>	<u>\$ 24,080,046</u>

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## TRADE CENTRE LIMITED

## Statement of Operations and Deficit

Year ended March 31, 1997, with comparative figures for 1996

	1997	1996
Revenues:		
Convention centre (Schedule 1) . . . . . \$	4,117,489 \$	4,127,398
Office tower (Schedule 2) . . . . .	1,779,983	1,872,113
World Trade Centre (Schedule 3) . . . . .	621,192	441,731
	<u>6,518,664</u>	<u>6,441,242</u>
Expenses:		
Event expenses . . . . .	2,311,424	2,321,414
Salaries, wages and benefits . . . . .	1,567,806	1,488,765
Administration . . . . .	388,950	503,930
Advertising and marketing . . . . .	347,160	364,856
Maintenance . . . . .	637,099	641,534
Energy . . . . .	519,351	514,695
Taxes and Insurance . . . . .	937,912	945,285
	<u>6,709,702</u>	<u>6,780,479</u>
Loss before amortization and depreciation . . . . .	(191,038)	(339,237)
Gain on disposal of assets . . . . .	(15,601)	---
Depreciation and amortization . . . . .	<u>1,060,063</u>	<u>1,078,866</u>
Loss before subsidies and interest income on short-term investments . . . . .	(1,235,500)	(1,418,103)
Halifax Regional Municipality operating subsidy (Note 6) . . . . .	442,763	430,290
Province of Nova Scotia operating surplus (Note 7) . . . . .	(251,725)	(91,053)
Interest income on short-term investments . . . . .	<u>134,739</u>	<u>163,807</u>
Loss for the year . . . . .	(909,723)	(915,059)
Deficit, beginning of year . . . . .	<u>(24,942,308)</u>	<u>(24,027,249)</u>
Deficit, end of year . . . . . \$	<u><u>(25,852,031)</u></u> \$	<u><u>(24,942,308)</u></u>

See accompanying notes to financial statements.

## PROVINCE OF NOVA SCOTIA

## TRADE CENTRE LIMITED

## Statement of Changes in Financial Position

Year ended March 31, 1997, with comparative figures for 1996

	1997	1996
Cash provided by (used in):		
Operations:		
Loss for the year . . . . .	\$ (909,723)	\$ (915,059)
Items not involving cash:		
Depreciation and amortization . . . . .	1,060,063	1,078,866
Gain on disposal of assets . . . . .	(15,601)	---
Change in non-cash operating working capital . . . . .	<u>172,841</u>	<u>584,002</u>
	307,580	747,809
Financing:		
Increase in deferred capital assistance . . . . .	1,085,000	975,000
Investments:		
Proceeds on disposal of furniture and equipment . . . . .	15,601	---
Disposal of portfolio investments . . . . .	354,451	(605,966)
Deferred capital assistance used for capital projects . . . . .	(1,439,451)	(369,034)
Repayment of note receivable . . . . .	<u>8,423</u>	<u>7,806</u>
	<u>(1,060,976)</u>	<u>(967,194)</u>
Increase in cash . . . . .	331,604	755,615
Cash, beginning of year . . . . .	<u>3,382,265</u>	<u>2,626,650</u>
Cash, end of year . . . . .	<u>\$ 3,713,869</u>	<u>\$ 3,382,265</u>

Cash position is defined as cash plus short-term investments.

See accompanying notes to financial statements.

**PROVINCE OF NOVA SCOTIA**

**TRADE CENTRE LIMITED**

**Notes to Financial Statements**

**Year ended March 31, 1997**

The 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 and leasing of office and commercial space.

**1. Significant accounting policies:**

(a) Divisional operations:

The Trade Centre Limited consists of three divisions; the Convention Centre, the World Trade Centre and the Office Tower. Revenue and expenditures are recorded on the accrual basis.

(b) Short-term investments:

Short-term investments are recorded at the lower of cost and market.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Portfolio investments:

Portfolio investments are recorded at the lower of cost and market.

(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:

<b>Asset</b>	<b>Rate</b>
Building	30 years
Furniture and equipment	5 years
Tenant leaseholds	Lease term

**2. Accounts receivable:**

	1997	1996
Convention centre events . . . . .	\$ 391,688	\$ 372,225
Office tower rents . . . . .	97,325	149,531
Leasehold improvements receivable . . . . .	260,660	---
World Trade Club . . . . .	59,864	80,960
Note receivable . . . . .	8,935	17,358
Miscellaneous . . . . .	161,778	243,646
	<u>980,250</u>	<u>863,720</u>
Less: Allowance for doubtful accounts . . . . .	(43,724)	(139,107)
	<u>\$ 936,526</u>	<u>\$ 724,613</u>

**3. Property and equipment:**

	Cost	Accumulated Depreciation and Amortization	1997 Net	1996 Net
Land . . . . .	\$ 1	\$ ---	\$ 1	\$ 1
Building . . . . .	30,259,664	12,342,747	17,916,917	18,925,571
Furniture and equipment . . . . .	1,939,123	1,934,061	5,062	13,127
Tenant leaseholds . . . . .	891,092	805,887	85,205	128,549
	<u>\$ 33,089,880</u>	<u>\$ 15,082,695</u>	<u>\$ 18,007,185</u>	<u>\$ 19,067,248</u>

**4. Deferred capital assistance:**

The Province of Nova Scotia has allowed the centre to use certain amounts of accrued savings from operations towards future capital projects. An amount of \$985,000 was approved during the year for scheduled projects.

The Halifax Regional Municipality provided a further contribution of \$100,000 toward certain of these scheduled capital projects.

During the year the centre expended an amount of \$1,439,451 of these funds on capital projects.

The remaining balance of \$429,850 at March 31, 1997 has been reflected as deferred capital assistance in these financial statements until used for the purposes intended.

**5. Contributed surplus:**

	1997	1996
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
	<u>\$ 45,173,101</u>	<u>\$ 45,173,101</u>

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. Operating subsidy from the Halifax Regional Municipality:**

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 1997 fiscal year in these financial statements.

**7. Province of Nova Scotia operating surplus:**

The Province of Nova Scotia operating surplus represents the income for the year before depreciation and amortization and interest income on short-term investments.

**8. Related party transactions:**

The Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 1997, rental revenue and tenant recoveries included \$1,410,113 (1996 -\$1,419,982) received from departments and agencies of the Province of Nova Scotia.

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.



## Schedule 1

## PROVINCE OF NOVA SCOTIA

## TRADE CENTRE LIMITED

## Schedule of Revenue and Expenses - Convention Centre

Year ended March 31, 1997, with comparative figures for 1996

	1997	1996
Convention revenue . . . . .	\$ 4,117,489	\$ 4,127,398
Expenses:		
Event expenses . . . . .	1,946,018	2,021,643
Salaries, wages and benefits . . . . .	1,110,786	1,068,584
Administration . . . . .	224,953	273,444
Advertising and marketing . . . . .	334,405	354,992
Maintenance . . . . .	398,669	366,175
Energy . . . . .	320,713	316,833
Taxes and insurance . . . . .	528,829	533,827
	<u>4,864,373</u>	<u>4,935,498</u>
Loss before subsidy . . . . .	(746,884)	(808,100)
City of Halifax operating subsidy . . . . .	442,763	430,290
Loss from operations . . . . .	<u>\$ (304,121)</u>	<u>\$ (377,810)</u>

## PROVINCE OF NOVA SCOTIA

## TRADE CENTRE LIMITED

## Schedule of Revenue and Expenses - Office Tower

Year ended March 31, 1997, with comparative figures for 1996

	1997	1996
Revenue:		
Rental revenue . . . . .	\$ 1,042,955	\$ 1,133,880
Recovery of operating expenses . . . . .	<u>737,028</u>	<u>738,233</u>
	1,779,983	1,872,113
Expenses:		
Event expenses . . . . .	6,354	41,585
Salaries, wages and benefits . . . . .	212,761	198,541
Administration . . . . .	28,639	86,003
Maintenance . . . . .	222,543	250,883
Energy . . . . .	198,638	197,862
Taxes and insurance . . . . .	<u>398,939</u>	<u>400,855</u>
	1,067,874	1,175,729
Transfer of operating costs to World Trade Centre . . . . .	<u>127,173</u>	<u>125,259</u>
	940,701	1,050,470
Income from operations . . . . .	<u>\$ 839,282</u>	<u>\$ 821,643</u>

## Schedule 3

## PROVINCE OF NOVA SCOTIA

## TRADE CENTRE LIMITED

## Schedule of Revenue and Expenses - World Trade Centre

Year ended March 31, 1997, with comparative figures for 1996

	1997	1996
World Trade Centre revenues . . . . .	\$ 621,192	\$ 441,731
Expenses:		
Event expenses . . . . .	359,052	258,186
Salaries, wages and benefits . . . . .	244,259	221,640
Administration . . . . .	135,358	144,483
Marketing . . . . .	12,755	9,864
Maintenance . . . . .	15,887	24,476
Taxes . . . . .	10,144	10,603
	<u>777,455</u>	<u>669,252</u>
Add transfer of operating costs - Office Tower . . . . .	127,173	125,259
	<u>904,628</u>	<u>794,511</u>
Loss from operations . . . . .	<u>\$ (283,436)</u>	<u>\$ (352,780)</u>

## PROVINCE OF NOVA SCOTIA

## TRANSPORTATION TRUST FUND

## Continuity of Transportation Trust Fund

for the year ended March 31, 1997

	1997	1996
Balance, beginning of year . . . . . \$	---	---
<i>Add:</i> Revenue collected during year . . . . .	35,580,721.59	36,048,682.07
	<u>35,580,721.59</u>	<u>36,048,682.07</u>
<i>Deduct:</i> Refund of Payments . . . . .	332,468.12	459,535.89
Department of Transportation and Communications Expenditures (Schedule 1) . . . . .	<u>35,248,253.47</u>	<u>35,589,146.18</u>
	<u>35,580,721.59</u>	<u>36,048,682.07</u>
Balance - end of year . . . . . \$	<u>---</u>	<u>---</u>

## Schedule 1

## PROVINCE OF NOVA SCOTIA

## TRANSPORTATION TRUST FUND

## Transportation Trust Fund Expenditures

for the year ended March 31, 1997

Highway	1997	1996
101 .....	\$ 133,479.43	\$ 5,102,695.00
102 .....	1,440,888.73	6,663,834.00
103 .....	877,363.63	974,376.00
104 .....	26,166,299.93	19,887,372.18
105 .....	2,576,938.09	1,875,332.00
106 .....	385,310.06	---
107 .....	2,102,749.44	---
111 .....	56,425.19	13,973.00
118 .....	950,120.60	145,127.00
125 .....	558,678.37	382,134.00
Trunk 4 .....	---	544,303.00
Total Expenditure .....	<u>\$ 35,248,253.47</u>	<u>\$ 35,589,146.18</u>

**AUDITOR'S REPORT**

To the Shareholder of the  
Upper Clements Family Theme Park Limited

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 1997 and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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 Company as at March 31, 1997, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

E.R. SALMON, F.C.A.  
Auditor General

Halifax, Nova Scotia  
August 15, 1997

## PROVINCE OF NOVA SCOTIA

## UPPER CLEMENTS FAMILY THEME PARK LIMITED

## BALANCE SHEET

as at March 31, 1997

	1997	1996
<b>ASSETS</b>		
<b>Current</b>		
Cash .....	\$ <u>3,105</u>	\$ <u>1,235</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities .....	\$ 974	\$ 460
Due to Province of Nova Scotia .....	---	1,142
Current portion of long-term liability .....	<u>3,817</u>	<u>8,388</u>
	<u>4,791</u>	<u>9,990</u>
<b>Long-term</b>		
Disability benefits (Note 2) .....	<u>38,739</u>	<u>63,432</u>
<b>Equity</b>		
Capital stock .....	1	1
Contributed surplus .....	5,667,174	5,667,174
Deficit .....	<u>(5,707,600)</u>	<u>(5,739,362)</u>
	<u>(40,425)</u>	<u>(72,187)</u>
	<u>\$ 3,105</u>	<u>\$ 1,235</u>

Contingency (Note 4)

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## UPPER CLEMENTS FAMILY THEME PARK LIMITED

## Statement of Income and Deficit

for the year ended March 31, 1997

	1997	1996
<b>Revenue</b>		
Contributions from the Province (Note 3) .....	\$ 11,142	\$ 10,000
<b>Expenses</b>		
Maintenance and repairs .....	---	1,700
Professional fees .....	---	1,492
WCB and LTD benefits (Note 2) .....	7,876	11,540
Dues and fees .....	85	365
Miscellaneous .....	60	82
	<u>8,021</u>	<u>15,179</u>
Less: Adjustment to disability benefits (Note 2) .....	<u>(28,641)</u>	<u>(8,320)</u>
	<u>(20,620)</u>	<u>6,859</u>
<b>Net Income</b> .....	<u>31,762</u>	<u>3,141</u>
<b>Deficit, beginning of year</b> .....	<u>(5,739,362)</u>	<u>(5,742,503)</u>
<b>Deficit, end of year</b> .....	<u>\$ (5,707,600)</u>	<u>\$ (5,739,362)</u>

See accompanying notes to the financial statements.



## PROVINCE OF NOVA SCOTIA

## UPPER CLEMENTS FAMILY THEME PARK LIMITED

## Notes to Financial Statements

March 31, 1997

**1. Authority**

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park. On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia.

The Province has subsequently entered into leasing arrangements with third parties to continue the operations of the park, the latest effective February 1, 1997 to January 31, 2007. Revenue and costs associated with the lease arrangements are included in the accounts of the Province.

The Company's affairs are being managed by staff of the Department of Economic Development and Tourism, and it is not actively involved in the operation of the family theme park.

**2 WCB and LTD Benefits**

The Company accounts for the estimated long-term liability associated with workers' compensation (WCB) and long-term disability (LTD) benefits of former employees. An adjustment to disability benefits occurs when changes are made to the assumptions used to estimate the long-term liability.

**3 Contributions from the Province of Nova Scotia**

The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. The extent to which this assistance will be received in the future has not been determined.

**4 Contingent Liability**

An action was commenced by an individual for injuries incurred at the park. The likelihood of a payment being made on this claim and the amount involved is unknown.

**5 Comparative Figures**

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

## PROVINCE OF NOVA SCOTIA

## VICTIMS' ASSISTANCE FUND

## BALANCE SHEET

as at March 31, 1997

## ASSETS

	1997	1996
Cash .....	\$ 371,002.97	\$ 298,421.00
Investments .....	1,142,341.84	1,975,450.00
	<u>\$ 1,513,344.81</u>	<u>\$ 2,273,871.00</u>

## LIABILITIES

Fund .....	<u>\$ 1,513,344.81</u>	<u>\$ 2,273,871.00</u>
------------	------------------------	------------------------

**Continuity of Fund  
for the year ended March 31, 1997**

	1997	1996
Balance, beginning of year .....	\$ 2,273,871.00	\$ 2,108,341.97
Receipts:		
Investment income .....	73,824.93	128,765.60
Bank interest .....	6,462.57	18,844.97
Fine surcharge revenue .....	765,160.33	824,225.08
	<u>845,447.83</u>	<u>971,835.65</u>
Disbursements .....	1,605,974.02	806,306.62
Balance, end of year .....	<u>\$ 1,513,344.81</u>	<u>\$ 2,273,871.00</u>

## PROVINCE OF NOVA SCOTIA

## VICTIMS' ASSISTANCE FUND

## Note to the Financial Statements

March 31, 1997

Investments at March 31, 1997 consisted of the following:

\$505,000.00 Bank of Nova Scotia Bankers Acceptance	
3.0900% March 6, 1997 to June 4, 1997 . . . . .	\$ 501,182.20
\$54,000.00 Royal Bank Bankers Acceptance	
3.1200% Jan 9, 1997 to April 10, 1997 . . . . .	53,583.12
\$570,000.00 Bank of Nova Scotia Bankers Acceptance	
3.0300% March 6, 1997 to April 4, 1997 . . . . .	568,632.00
\$19,000.00 Royal Bank Bankers Acceptance	
3.0500% Feb. 27, 1997 to April 3, 1997 . . . . .	18,944.52
	<u>\$ 1,142,341.84</u>

**AUDITORS' REPORT**

To the Shareholder of  
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1997, and the statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

DOANE RAYMOND  
Chartered Accountants

Halifax, Nova Scotia  
June 26, 1997

## PROVINCE OF NOVA SCOTIA

## WATERFRONT DEVELOPMENT CORPORATION LIMITED

## BALANCE SHEET

March 31, 1997

	1997	1996
<b>ASSETS</b>		
Cash .....	\$ 16,828	\$ ---
Receivables - trade .....	82,769	49,249
- Province .....	---	42,018
Notes receivable (Note 3) .....	204,959	7,073
Prepays .....	42,954	121,130
Real estate and development projects (Note 4) .....	18,546,758	17,975,566
Deferred pension cost .....	15,419	---
	<u>\$ 18,909,687</u>	<u>\$ 18,195,036</u>

## LIABILITIES

Bank indebtedness .....	\$ ---	\$ 59,801
Payables and accruals .....	234,267	358,187
Loan payable (Note 6) .....	5,900,000	5,400,000
	<u>6,134,267</u>	<u>5,817,988</u>

## SHAREHOLDERS' EQUITY

Capital stock (Note 7) .....	3	3
General Development Fund (Note 8) .....	1,535,000	1,155,000
Contributed surplus .....	13,747,826	13,747,826
Deficit .....	(2,507,409)	(2,525,781)
	<u>12,775,420</u>	<u>12,377,048</u>
	<u>\$ 18,909,687</u>	<u>\$ 18,195,036</u>

Commitment and contingent liability (Note 9)

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## WATERFRONT DEVELOPMENT CORPORATION LIMITED

## Statement of Earnings and Deficit

year ended March 31, 1997

	1997	1996
<b>Revenue</b>		
Rents . . . . .	\$ 1,793,679	\$ 1,724,274
Recoveries . . . . .	49,758	48,898
Interest income . . . . .	10,934	22,615
Other income . . . . .	46,177	---
	<u>1,900,548</u>	<u>1,795,787</u>
<b>Property Expenses</b>		
Property taxes . . . . .	105,691	112,571
Operating . . . . .	318,772	309,683
Depreciation and amortization . . . . .	255,325	185,197
	<u>679,788</u>	<u>607,451</u>
<b>Income before other items</b> . . . . .	<u>1,220,760</u>	<u>1,188,336</u>
<b>Corporate expenses</b>		
Directors fees and expenses . . . . .	41,724	41,758
Doubtful accounts . . . . .	3,410	15,477
Office operations . . . . .	46,826	39,720
Professional fees - audit . . . . .	6,875	6,875
- consultants . . . . .	16,855	68,087
-legal . . . . .	57,018	10,356
Salaries and benefits . . . . .	266,163	222,409
Waterfront promotions and public relations . . . . .	78,916	82,335
	<u>517,787</u>	<u>487,017</u>
<b>Loan interest</b>		
Expense . . . . .	316,353	423,626
Contributions from the Province of Nova Scotia . . . . .	<u>(344,000)</u>	<u>(351,235)</u>
	<u>(27,647)</u>	<u>72,391</u>
Depreciation on facilities for public access . . . . .	<u>72,802</u>	<u>89,558</u>
	<u>562,942</u>	<u>648,966</u>
Net earnings from operations . . . . .	657,818	539,370
Writedown in value of property (Note 11) . . . . .	269,162	---
Gain on sale of property . . . . .	(9,716)	---
	<u>259,446</u>	<u>---</u>
<b>Net earnings</b> . . . . .	398,372	539,370
<b>Transfer to General Development Fund (Note 7)</b> . . . . .	<u>380,000</u>	<u>525,000</u>
<b>Transfer to Deficit</b> . . . . .	18,372	14,370
<b>Deficit, beginning of year</b> . . . . .	<u>(2,525,781)</u>	<u>(2,540,151)</u>
<b>Deficit, end of year</b> . . . . .	<u>\$ (2,507,409)</u>	<u>\$ (2,525,781)</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## WATERFRONT DEVELOPMENT CORPORATION LIMITED

## Statement of Changes in Financial Position

year ended March 31, 1997

	1997	1996
<b>Cash derived from (applied to)</b>		
Operating		
Net earnings . . . . . \$	398,372 \$	539,370
Depreciation and amortization . . . . .	328,127	274,755
Gain on sale of property . . . . .	(9,716)	---
Write down in value of property . . . . .	269,162	---
	<u>985,945</u>	<u>814,125</u>
Change in non-cash operating working capital (Note 10) . . . . .	<u>(52,665)</u>	<u>(87,783)</u>
	<u>933,280</u>	<u>726,342</u>
Financing		
(Increase) Decrease in other receivable . . . . .	(197,886)	4,528
Increase (decrease) in loan payable . . . . .	500,000	(450,000)
Government assistance for capital expenditures . . . . .	---	850,000
	<u>302,114</u>	<u>404,528</u>
Investing		
Purchase of		
Equipment . . . . .	(7,922)	(1,224)
Real estate and construction projects . . . . .	(1,230,843)	(1,526,582)
Proceeds from sale of property . . . . .	80,000	---
	<u>(1,158,765)</u>	<u>(1,527,806)</u>
<b>Net increase (decrease) in cash . . . . .</b>	<b>76,629</b>	<b>(396,936)</b>
<b>Cash, net of bank indebtedness</b>		
Beginning of year . . . . .	<u>(59,801)</u>	<u>337,135</u>
End of year . . . . . \$	<u>\$ 16,828</u>	<u>\$ (59,801)</u>

See accompanying notes to the financial statements.

## PROVINCE OF NOVA SCOTIA

## WATERFRONT DEVELOPMENT CORPORATION LIMITED

## Notes to the Financial Statements

March 31, 1997

**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 the stewardship, long-term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

**2. Summary of Significant Accounting Policies**

## Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

## Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project.

## Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

## Depreciation

## 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.



<b>3. Notes receivable</b>	<b>1997</b>	<b>1996</b>
Notes receivable bearing interest at a variable rate, repayable in blended monthly payments of \$451, maturing August 1997 . . . \$	2,050 \$	7,073
Note receivable bearing interest at 7%, repayable in blended monthly payments of \$1,185, maturing March 2002, secured by an assignment of land and building . . . . .	60,000	---
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of \$1,712, maturing June 2006. \$75,000 of the principal amount has been guaranteed by a third party . . . . .	142,909	---
	\$ 204,959 \$	\$ 7,073

<b>4. Real estate and development projects</b>		<b>1997</b>	<b>1996</b>
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
		<b>Net Book Value</b>	<b>Net Book Value</b>
Real estate and development projects . . . . .	\$ 22,670,882 \$	4,124,124 \$	18,546,758 \$
			17,975,566

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**

The Corporation has available a general operating line of credit to a maximum of \$1,000,000 bearing interest at prime. As of March 31,1997, the Corporation has no borrowings on this facility.

**6. Loan payable**

Demand loan bearing interest at approximately bank prime less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

**7. Capital stock**

	<b>1997</b>	<b>1996</b>
Authorized		
5,000 shares without nominal or par value		
Issued:		
3 shares . . . . .	\$ 3	\$ 3

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

**8. General Development Fund**

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

**9. (i) Commitments**

The Corporation has entered into a lease agreement for the Queen's Wharf. Minimum lease payments over the next five years, assuming renewal, are as follows:

1998 .....	\$	10,100
1999 .....		6,500
2000 .....		6,500
2001 .....		6,500
2002 .....		6,500

**(ii) Contingent liability**

The Corporation is party to a land dispute with respect to the South Battery Property. The amount of the claim is approximately \$340,000. It is expected that any settlement resulting from the dispute will be recovered from third parties. The outcome of the dispute is not determinable at this time.

**10. Change in non-cash operating working capital**

	1997	1996
Receivables .....	\$ 8,498	\$ (70,481)
Prepays .....	78,176	(114,630)
Payables and accruals .....	(123,920)	100,859
Deferred revenue .....	---	(3,531)
Deferred asset .....	(15,419)	---
	<u>\$ (52,665)</u>	<u>\$ (87,783)</u>

**11. Subsequent events**

In May 1997, the Corporation sold a property for \$600,000 which approximates net carrying value, after a write down in value of \$269,162 at March 31, 1997.

**12. Financial instruments**

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

**13. Employee pension plan**

During the year, the Corporation joined a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The cost of past service benefits was \$21,629 and is 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 March 31, 1995 and includes pension assets of \$1,718,558,000, and pension liabilities of \$1,853,333,000, resulting in a pension deficiency of \$134,775,000. This deficiency will be funded through an increase in participant contributions. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.